



ASSUPOL HOLDINGS LIMITED AND ITS SUBSIDIARIES

(Registration no. 2010/015888/06)

4AX Share code: 4AASP

ISIN: ZAE400000051

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

GENERAL INFORMATION

Registration number:	2010/015888/06
Country of incorporation:	Republic of South Africa
Registered address:	Summit Place Office Park, Building 6 221 Garstfontein Road Menlyn Pretoria 0181
Postal address:	PO Box 35900 Menlo Park Pretoria 0102
Auditors:	PricewaterhouseCoopers Incorporated Johannesburg
Company secretary:	SJ de Beer

These annual financial statements have been prepared as required by the Companies Act, 71 of 2008 (as amended), and have been compiled by Ms R Boonzaaier CA(SA) under supervision of Mr D de Klerk CA(SA).

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DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of Assupol Holdings Limited ('Assupol Holdings') and its subsidiaries. The financial statements presented on pages 20 to 103 have been prepared in accordance with International Financial Reporting Standards (IFRS), the manner required by the Companies Act, 71 of 2008, and by the Insurance Act, 18 of 2017, in South Africa, and include amounts based on judgements and estimates made by management.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company or any company within the Assupol Group (with the exception of those companies that are in the process of being wound up) will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the company and the Assupol Group.

The financial statements have been audited by the independent auditors, PricewaterhouseCoopers Incorporated, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board of Directors. The directors believe that all the representations made to the independent auditors during their audit are valid and appropriate. The directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The audit report of PricewaterhouseCoopers Incorporated is presented on pages 12 to 19.

The financial statements were approved by the Board of Directors on 20 September 2019 and are signed on its behalf by:



Dr RJ Khoza
Chairman



D de Klerk
Group Chief Financial Officer

COMPANY SECRETARY COMPLIANCE STATEMENT

In my capacity as Company Secretary, I hereby certify, in terms of the Companies Act, 71 of 2008, that for the year ended 30 June 2019, the company has lodged with the Registrar of Companies all such returns and notices as required of a public company in terms of this legislation, and that all such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.



SJ de Beer
Company Secretary

The Audit Committee presents its report for the financial year ended 30 June 2019.

APPOINTMENT

The Audit Committee is a statutory committee of the Board of Directors of Assupol Holdings, in terms of section 94(7) of the Companies Act. The members of the Audit Committee are appointed by the shareholders at the annual general meeting.

TERMS OF REFERENCE

The Board has approved the terms of reference of the Audit Committee. The committee has conducted its affairs in compliance with these terms of reference.

ROLE AND RESPONSIBILITIES

The Audit Committee's role and responsibilities include statutory duties in terms of the Companies Act and additional responsibilities assigned to it by the Board.

External auditor appointment and independence

The committee is satisfied that the external auditor is independent in accordance with King IV, which includes consideration of previous appointments of the auditor, the extent of non-audit work undertaken by the auditor for the Group and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. The auditor provided requisite assurance that internal governance processes within the audit firm support and demonstrate their claim to independence.

Assupol Holdings is considered a public interest company and the audit firm PricewaterhouseCoopers has been the auditor since the demutualisation of Assupol Life in 2010. PricewaterhouseCoopers has an internal rotation requirement whereby the engagement partner is rotated on every 5 years. Mr DT van den Berg is the audit partner for the third year and has not been involved in the audit of the Group previously. In terms of the mandatory audit firm rotation rule implemented by IRBA, PricewaterhouseCoopers will be eligible to audit the Assupol Group until June 2023.

The committee, in consultation with executive management, agreed to the engagement letter, including its terms and conditions, audit plan and budgeted audit fees, for the 2019 financial year.

A formal procedure governs the process whereby the auditor is considered for other non-audit related services. For the year ended 30 June 2019, the external auditor provided non-audit services to the Group. The committee affirms that these services did not impair the external auditor's independence.

The external auditor had direct and unrestricted access to the chairman of the Audit Committee. The committee is satisfied with the quality of the external audit work that was performed. The factors considered were specifically the feedback from management as well as the interaction between the committee and the external auditors.

Financial statements and accounting practices

The committee has reviewed the accounting policies and the financial statements of the Group with both management and the external auditors and is satisfied that they are appropriate and comply with International Financial Reporting Standards. Accounting estimates and assumptions which have the potential for significant adjustment of the overall financial statements are specifically listed in note 3 to the annual financial statements. The committee would also like to draw attention to key audit matters reported in the audit report contained on pages 12 to 19 in these annual financial statements.

Based on processes and assurances obtained, the committee recommended the financial statements to the Board for approval.

Financial controls, actuarial controls and risk management

The committee reviewed a written assessment on the effectiveness of the design and implementation of internal financial controls, actuarial controls, and risk management. Nothing has come to the committee's attention that causes it to believe that the system of internal financial controls, actuarial controls, and risk management is not effective, or has resulted in any material financial loss, fraud, corruption or error; or that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

Going concern

The committee has reviewed a documented assessment, including key assumptions, prepared by management and presented on a regular basis, on the going concern status of the Assupol Group. The Board of Directors' statement on the going concern status of the Assupol Group, as supported by the committee, is disclosed on page 2.

Governance of risk and information technology

The committee forms an integral part of the risk management framework and the governance of information technology. The Board of Directors specifically assigns oversight of the Group's financial risk management function to the committee in respect of financial reporting risks, internal financial controls, fraud and information technology risks relating to financial reporting, and compliance with laws and regulations.

Internal audit

The committee is responsible for ensuring that the Group's internal audit function is independent and has the necessary resources, standing and authority within the Group to enable it to discharge its duties. In addition, the committee oversees co-operation between the internal and external auditors, and serves as a link between the Board and these functions.

The committee approved internal audit's annual audit plan for the 2019 financial year.

The committee also assesses the performance of the internal auditor and the internal audit function, and is satisfied with the overall effectiveness of the chief audit executive and the arrangements for the internal audit function.

The execution of the internal audit work was outsourced to KPMG until 30 June 2018. Ernst & Young has been appointed to provide the internal audit function from 1 July 2018 onwards. The internal audit service provider reports directly to the Audit Committee and is responsible for reviewing and providing assurance on the adequacy of the internal control environment. The service provider reports the findings of the internal audit work to the committee on a regular basis and has direct unrestricted access to the committee, primarily through its chairman.

Evaluation of the expertise and experience of the Group Chief Financial Officer and the finance function

The committee is satisfied that the Group Chief Financial Officer has appropriate expertise and experience. Furthermore, the committee has considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function, and experience of the senior members of management responsible for this function. In making these assessments, the committee has obtained feedback from both internal and external audit.

Integrated report

The committee fulfils an oversight role regarding the Group's integrated report and the reporting process. The committee considered the Group's sustainability information as disclosed in the integrated report and has assessed its consistency with operational and other information known to the Audit Committee members, and with the annual financial statements.

Combined assurance

A framework and 2-year phase-in plan are currently being developed with assistance from internal auditors to address combined assurance in the Assupol Group. The Audit and Risk Committees will review the framework in the 2019/20 financial year.

Regulatory and compliance matters

The impact of pending regulatory and compliance matters that could affect the internal financial and other controls, financial statements, or other matters relating to the roles and responsibilities of the committee is discussed at the meetings of the audit committee.

MEMBERSHIP, ATTENDANCE AND ASSESSMENT

The Audit Committee consists of three independent non-executive directors. It should meet at least twice a year as required in its terms of reference. The Group Chief Executive Officer, Assupol Life Chief Executive Officer, Group Chief Financial Officer, Chief Risk Officer, external auditors, internal auditors and other assurance providers (actuarial, legal and compliance) attend meetings by invitation only. The committee held four meetings during the financial year. Details of the members as well as their role and attendance at meetings are indicated below:

Name of member	Qualification	Date appointed	Date resigned	Meetings and attendance			
				2018/09/06	2018/11/19	2019/02/14	2019/05/20
BB Moroole (Chairman)	B Com (Hons), CA(SA)	Sept 2018	-	-	Member	Member	Chair
R Mothapo	B.Econ Sc, BSc (Hons), FASSA	Sept 2017	-	Chair	Chair	Chair	Member
AS Birrell	B.Bus.Sc, FASSA, FFA, CERA	May 2013	Mar 2019	Member	Member	Member	-
GR Burger *	CA(SA), H Dip BDP, MBL	May 2019	June 2019	-	-	-	Member
IO Greenstreet	BSc (Hons), FCA	Feb 2018	Sept 2018	Member	-	-	-
SIM Braudo *	B Econ Sc, BSc (Hons), FIA, CFA	June 2019	-	-	-	-	-

* Mr GR Burger, a non-executive director, attended the May 2019 meeting whilst the board of directors deliberated regarding a permanent replacement for Mr AS Birrell. Mr SIM Braudo, an independent non-executive director, was subsequently appointed in June 2019 as a member of the committee.



BB Moroole
Chairman: Audit Committee
20 September 2019

1. NATURE OF BUSINESS

Assupol Holdings Limited ('Assupol Holdings') is incorporated in South Africa and acts as the ultimate holding company of the Assupol Group. During the year under review the Assupol Group continued to provide a range of financial services to a defined niche market. For more detailed information regarding the nature of business per subsidiary, refer to note 40 to the financial

The shares of Assupol Holdings are listed on the 4Africa Exchange (4AX). The directors are not aware of any non-compliance with the listing requirements.

2. SIGNIFICANT DEVELOPMENTS DURING THE YEAR

Insurance Act, 18 of 2017

The Insurance Act that became effective on 1 July 2018 provides a legal framework for the prudential regulation and supervision of insurance business in South Africa. The Prudential Authority of South Africa implemented the Solvency Assessment and Management framework (SAM) with effect from 1 July 2018, providing a revised set of solvency capital requirements, risk management standards and disclosure requirements for the insurance industry. The Assupol Group is in full compliance with these requirements.

Section 29A of the Income Tax Act, 58 of 1962

Section 29A of the Income Tax Act, 58 of 1962, which provides the legislative framework for the taxation of life insurers, was amended with effect from 1 July 2018. The amendments relate largely to the change in the tax valuation base of policyholder liabilities from the statutory valuation method to adjusted IFRS.

These amendments include provisions for the calculation of a "phasing-in amount" to capture the differences in the valuation basis at the time of change and allow it to be taken into account in the tax calculation over time. However, based on the current wording relating to the phasing-in amount (section 29A(15)), Assupol Life would need to do this calculation on 1 July 2017 and not 1 July 2018 (the time the changes became effective). This leads to an increase in the tax expense of approximately R24m in the current financial year on which the annual financial statements were finalised.

Developments within the Assupol Group

An additional deferred tax asset to an amount of R75m has been raised in respect of assessed tax losses relating to Assupol Life's individual policyholder tax fund (IPF). The tax losses are expected to be utilised in the foreseeable future as a result of increased guaranteed single premium business.

On 29 January 2019 Assupol Life Limited entered into a subordinated debt agreement with Investec Bank Limited. In terms of the agreement, the company has access to a draw down facility of R250 million. At the end of the financial year, R125.9 million of this facility was utilised mainly for the funding of new business. The key terms of this facility are detailed in note 5.4.3.c.

The business of Top Top Business Consultants Proprietary Limited was incorporated into Assupol Life Limited on 1 March 2019. This will ensure that the synergies in operations and related activities are being enhanced.

With the appointment of the Chief Information Officer during the financial year specific actions were undertaken to enhance the information technology systems of the Group, to ensure that the operational and service ability of the Group are optimised. The benefits of certain of these projects will realise over a period of time and have been capitalised after its technical and commercial feasibility have been established. Further investment is expected over the next few years.

3. GROUP RESULTS

Details of the Assupol Group's financial performance are set out in the financial statements and notes thereto on pages 20 to 103.

The Group delivered a good performance during the financial year against a challenging economic and operating environment. New business volumes were affected by the death of Assupol's brand ambassador, Hugh Masekela, and the new mandate requirements in the pensioner market that were introduced by government. The Group's disciplined approach to the management of expenses and service delivery to clients ensured that the targets set at the beginning of the financial year were met. The adjusted operating profit, a metric which reflects management's view of the underlying long-term profitability of the Group, showed growth of 13.61% (2018: 20.8%).

The investment markets performed slightly better during the current year in comparison to previous year with after-tax returns on excess assets exceeding the long-term investment return assumption by R32 million (2018: R27million). The return on excess assets was at 10.73% (2018: 12.97%)

Expense management remained a key focus area, resulting in a reduction of the renewal expense reserve component of policyholder liabilities by an amount of R137.8 million after taxation (2018: R124.2 million).

3. GROUP RESULTS (continued)

The Group has committed itself to contribute to South Africa's social development agenda. In this respect an amount of R10m million was paid in the current financial year to the upgrade of ablution facilities of rural schools in South Africa.

It should be noted that Assupol Life Limited in its standalone annual financial statements adjusted the 2018 disclosure of insurance premium revenue and fair value adjustments on investment policyholder liabilities in the statement of comprehensive income to adjust a classification error. The adjustment had no effect on the net profit after taxation or retained earnings and no material impact on these consolidated annual financial statements.

The key financial performance statistics for the Assupol Group for the year are set out below:

Earnings performance	2019	2018	% change
Gross insurance premium revenue (R'm)	3 458	2 987	15.77%
Net profit attributable to ordinary shareholders (R'm)	907	847	7.08%
Value of new business (R'm)	479	388	23.23%
Return on equity (%)	23%	26%	

The adjusted operating profit for the Assupol Group was calculated as follows:

Adjusted operating profit (R'm)	2019	2018	% change
Net profit attributable to ordinary shareholders	907	847	7.08%
Adjustment on investment returns on excess assets	(32)	(27)	18.52%
Non-recurring transactions	41	1	> 100.00%
Non-recurring economic assumption adjustments	(37)	15	<-100.00%
Other non-recurring actuarial adjustments	(78)	(131)	-40.46%
Adjusted operating profit	801	705	13.61%

The adjusted operating profit is calculated by adjusting the reported profit to exclude the impact of short-term market fluctuations on the investment returns of excess assets, as well as non-recurring transactions or events such as the discontinuation of a business relationship, non-recurring actuarial adjustments and non-core transactions. The calculation does not take into account the economic impact of actuarial adjustments on new business during a financial period.

Where a non-recurring transaction continuous to occur in a subsequent financial year, the transaction is reassessed to determine whether or not it should be included in the adjusted operating profit. The reported 2018 adjusted operating profit of R713.7 million was reduced by R9.1 million due to such a transaction that continued to re-occur.

New business (R'm)	2019	2018	% change
Recurring premiums	1 026	891	15.10%
Single premiums	376	191	96.76%
Total new business premiums	1 402	1 082	29.54%
Annual premium equivalent (APE)	1 063	910	16.81%
Present value of new business premiums (PV NBP)	4 704	3 719	26.46%
Value of new business margin	10.2%	10.4%	-2.51%

4. GROUP EMBEDDED VALUE RESULTS

The embedded value represents an estimated value of the Group that comprises:

- shareholders' funds which is the aggregate of free surplus funds and required capital to support the in-force business; plus
- the present value of in-force business; less
- the cost of required capital.

Covered business is business written under a life insurance license and is valued by using the methodology outlined in the Advisory Practice Note, APN 107, of the Actuarial Society of South Africa.

Uncovered business includes the value of Assupol Holdings as well as other subsidiaries in the Group that are not included in the value of covered business.

Group embedded value (R'm)	2019	2018
Shareholders' funds	1 275	1 301
Value of in-force business	4 113	3 195
Gross	4 491	3 489
Cost of required capital	(378)	(294)
Embedded value of covered business	5 388	4 496
Embedded value of non-covered business	34	67
Group embedded value at year end	5 422	4 563
Return on embedded value (%)	29.05%	33.49%

Embedded value earnings - 2019 (R'm)	Adjusted net worth	Value of in-force	Cost of required capital	Total
Embedded value at 30 June 2018 - Covered business	1 301	3 489	(294)	4 496
Opening adjustments	6	3	-	9
Embedded value as at the beginning of the year	1 307	3 492	(294)	4 505
Dividends paid	(345)	-	-	(345)
Deferred bonus shares	37	-	-	37
Embedded value after adjustments	999	3 492	(294)	4 197
Unwinding of risk discount rate	-	448	(35)	413
Expected profits	716	(716)	-	-
New business	(378)	931	(74)	479
Operating experience variations	(48)	(5)	16	(37)
Tax	27	-	-	27
Assumption changes	(80)	339	(40)	219
Investment experience	28	3	49	80
Miscellaneous	12	(2)	-	10
Embedded value at 30 June 2019 - Covered business	1 276	4 490	(378)	5 388
Embedded value at 30 June 2018 - Non-covered business	89	(22)	-	67
Dividends paid	(17)	-	-	(17)
Embedded value after adjustments	72	(22)	-	50
Net profits	(64)	-	-	(64)
Holdings company expense adjustment	-	(45)	-	(45)
Market value adjustment	-	93	-	93
Embedded value at 30 June 2019 - Non-covered business	8	26	-	34
Group embedded value at 30 June 2019	1 284	4 516	(378)	5 422

5. SHARE STATISTICS

Key statistics in relation to the issued shares of Assupol Holdings are provided below:

	2019	2018	% change
Share price - closing (R) *	10.30	9.20	11.96%
Market capitalisation (R'm) *	4 346	3 882	11.95%
Earnings per share (R)	2.39	2.31	3.34%
Diluted earnings per share (R)	2.20	2.11	4.36%
Diluted adjusted operating profit per share (R)	1.89	1.73	9.46%
Group embedded value per share (R)	12.85	10.82	18.76%
Dividends per qualifying ordinary shares (cents)	89	96	-7.29%

* Market information is based on the 4AX exchange on which the company's shares trade.

6. BOARD OF DIRECTORS

The present directors of the company are:

Name	Board committee involvement	Date appointed
<i>Non-executive directors</i>		
Dr RJ Khoza (Chairman)	Member: Remuneration Committee	22 May 2019
EDJ Ashkar	Chairman: Nomination Committee Member: Actuarial Committee, Growth and Innovation Committee, Investment Committee, Remuneration Committee, Social and Ethics Committee	20 Feb 2013
GR Burger	-	14 May 2019
SIM Braudo	Chairman: Actuarial Committee Member: Audit Committee, Growth and Innovation Committee, Risk Committee	14 May 2019
IO Greenstreet	Chairman: Investment Committee Member: Growth and Innovation Committee, Nomination Committee	7 Jun 2013
NE Gubb	Member: Growth and Innovation Committee, Investment Committee, Nomination Committee	7 May 2013
BB Moroole	Chairman: Audit Committee, Social and Ethics Committee Member: Risk Committee	14 Sep 2018
R Mothapo	Chairman: Remuneration Committee, Risk Committee Member: Actuarial Committee, Audit Committee	18 Aug 2017
Z Saban	Member: Growth and Innovation Committee, Investment Committee	1 Aug 2017
<i>Executive directors</i>		
CJ van Dyk (Group Chief Executive Officer)	Member: Actuarial Committee, Growth and Innovation Committee, Investment Committee, Risk Committee	30 Sep 2013
D de Klerk (Group Chief Financial Officer)	Member: Actuarial Committee, Growth and Innovation Committee, Investment Committee	30 Jul 2010
MB Mokwena-Halala (Chief Executive Officer: Assupol Life)	Member: Growth and Innovation Committee, Investment Committee	30 Jul 2010
SL Ndwalaza (Human Resources)	Member: Social and Ethics Committee	1 Sep 2012

Mr AS Birrell resigned as chairman of the board as well as non-executive director on 31 March 2019.

Ms R Kisten and Mr KC Radebe resigned as non-executive directors with effect from 19 September 2018 and 10 January 2019 respectively.

7. PRESCRIBED OFFICERS

Name	Position held in Group	Date appointed
J Dippenaar	Chief Risk Officer	1 Sep 2015
EZ Mngoma	Group Executive: Sales	1 Jul 2017
EN Nelwamondo	Chief Information Officer	1 Jan 2019
MP Salmon	Head of Strategy	1 Jan 2017

8. DETAILS OF SERVICE CONTRACTS

The Group has permanent employee contracts with all the executive directors and prescribed officers.

9. HEAD OF ACTUARIAL CONTROL FUNCTION

In terms of the Insurance Act, 18 of 2017, Mr R Subotzky is the Head of Actuarial Control Function of Assupol Life Limited.

10. COMPANY SECRETARY

The Company Secretary, Mr SJ de Beer, was appointed in July 2010.

11. AUDITORS

In accordance with section 90 of the Companies Act, 71 of 2008, the Audit Committee, on behalf of the Board of Directors, nominated PricewaterhouseCoopers Incorporated for appointment as external auditor. This appointment will be subject to approval by a majority of shareholders at the annual general meeting scheduled for the final quarter in the 2019 calendar year.

12. SUBSIDIARIES

The Assupol Group's material interests in subsidiaries are set out in note 40 to the financial statements. These companies were subsidiaries throughout the year. The subsidiaries are involved in the financial services industry in South Africa.

13. SHARE CAPITAL

The issued share capital of the company as at 30 June 2019 was:

	2019	2018
	R'000	R'000
366 952 973 ordinary shares of R0.001 each	543 948	543 853
44 202 985 'A' ordinary redeemable no par value shares	30 000	30 000
4 820 308 'B' no par value shares	28 843	28 843
5 999 724 'B1' no par value shares	36 742	36 742
Total share capital	639 533	639 438

The company has submitted an application to the Prudential Authority of South Africa for the issue of 'B2' no par value shares. These shares were awarded to senior management during the financial year in terms of the deferred bonus scheme (refer note 26). The shares were not issued at year-end as the company is still waiting for authorisation from the Prudential Authority.

The commitment date on the 'A2' ordinary redeemable no par value shares is on 17 October 2019. Refer notes 24 and 27 to the financial statements for information on the company's share capital and the conditions attached to the 'A2' ordinary redeemable no par value shares.

14. SHAREHOLDER DIVIDEND

Dividends were declared in respect of the following financial years:

cents per share	2019	2018
Ordinary dividend	60	54
Special dividend	29	42

For the 2018 financial year

On 27 September 2018 the Board of Directors declared an ordinary dividend of 54 cents and special dividend of 42 cents per qualifying ordinary share. This was declared in terms of the company's dividend policy to shareholders recorded at close of business on 12 October 2018. The dividends were paid on 15 October 2018.

For the 2019 financial year

After the reporting period, on 27 September 2019, the Board of Directors declared an ordinary dividend of 60 cents on qualifying shares.

The Board of Directors has also declared a special dividend of 29 cents on qualifying shares.

Furthermore, the Board declared a trickle dividend of 13.66 cents in respect of the 'A2' ordinary redeemable shares. The dividend represents the excess of the ordinary dividend over the outstanding balance of the notional loan (note 27).

The qualifying shares at the date that these financial statements were approved and that the various dividends apply to, included the following:

cents per share	Ordinary dividend	Special dividend	Trickle dividend
Listed ordinary shares, excluding shares held by the Share Incentive Trust	60	29	-
A1 ordinary shares	60	29	-
A2 ordinary redeemable shares	-	29	14
'B' no par value shares *	60	29	-

* This category includes only those 'B' shares that qualify to be converted to ordinary shares after the restricted period ends on 27 September 2019 and that are unrestricted at record date (note 26).

The dividends have been declared from retained earnings. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The following dates will apply to the dividend:

Last date to trade <i>cum dividend</i>	11 October 2019
Record date	11 October 2019
Trading <i>ex dividend</i> commences	14 October 2019
Dividend payment date	14 October 2019



Independent auditor's report

To the Shareholders of Assupol Holdings Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Assupol Holdings Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Assupol Holdings Limited's consolidated and separate financial statements set out on pages 20 to 103 comprise:

- the consolidated and separate statements of financial position as at 30 June 2019;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*PricewaterhouseCooper Inc., 4 Lisbon Lane, Waterfall City, Jukskei View, 2090
Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za*

Chief Executive Officer: L S Machaba

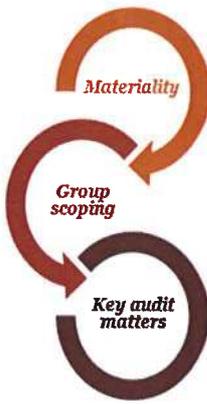
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Our audit approach

Overview

	<p>Overall group materiality</p> <ul style="list-style-type: none"> • Overall group materiality: R57,5 million, which represents 5% of consolidated profit before taxation.
	<p>Group audit scope</p> <ul style="list-style-type: none"> • Our Group scoping included full scope audits based on financial significance, audit risks and statutory audit requirements for four components. Assupol Life Limited is the most significant component within the Group.
	<p>Key audit matters</p> <ul style="list-style-type: none"> • Valuation of policyholder assets/liabilities arising from insurance contracts. • Recoverability of deferred tax assets.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Overall group materiality</i>	<i>R57,5 million</i>
<i>How we determined it</i>	<i>5% of consolidated profit before taxation</i>
<i>Rationale for the materiality benchmark applied</i>	<i>We chose profit before taxation as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.</i>

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

There are eight components within the Group. The group engagement team performed full scope audits for four components based on financial significance, audit risks and statutory audit requirements. One of these four components, Assupol Life Limited is the most significant in the Group. Analytical review procedures were performed on the remaining four components as the results of these components were insignificant to the Group results.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We communicate the key audit matters that relate to the audit of the consolidated financial statements of the current period in the table below.

We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company for the current period.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of net policyholder assets arising from insurance contracts (Refer to notes 2.18.3, 3.1, 4, 5 and 28 to the financial statements)</p> <p>The Group issues contracts that transfer insurance risk or financial risk or, in some cases, both. An insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder. Such contracts may also transfer financial risk. The Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur.</p> <p>Management valued net policyholder assets arising from insurance contracts of R2.9 billion as disclosed in note 28 using a discounted cash flow method in terms of the Financial Soundness Valuation (FSV) method using the Actuarial Society of South Africa's guidance as contained in Standard of Actuarial Practice note 104 (SAP 104) and Actuarial Practice Notes (APNs).</p> <p>The valuation of the net policyholder assets took into account key economic and non-economic assumptions which were then applied to projected future cash flows, often for periods in excess of 20 years.</p> <p>Economic assumptions which are based on market observable data as at the end of the financial year that were applied by management include the following:</p> <ul style="list-style-type: none"> ● Investment returns; ● Discount rates; and ● Inflation rates. 	<p>We made use of our actuarial expertise to test the valuation of net policyholder assets arising from insurance contracts and performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> ● We considered the Group's actuarial control environment and governance, such as the functioning of the Actuarial Committee, which approves the methodology and assumption changes against industry practice and regulatory requirements. ● We tested the underlying data and key management reconciliations between the policyholder administration system and the data used in the valuation. No material differences were noted. ● We compared the valuation methodology used by management against the group's accounting policy, guidance of SAP 104 and industry practice and we found management's valuation methodology to be consistent with these. ● We examined and corroborated management's Analysis of Surplus showing sources of profit and how it relates to the change in insurance contract provisions as disclosed on the statement of comprehensive income. ● We assessed the reasonableness of economic assumptions through comparison to available market observable data and found them to be reasonable and comparable to market observable data. ● We assessed the reasonableness of non-economic assumptions by comparing the assumptions to the most recent experience investigations conducted by management and our knowledge of the business. We found management's assumptions to be within a reasonable range.

<p>Non-economic assumptions are set based on experience investigations performed by the Group and therefore contain judgement and an element of subjectivity. Non-economic assumptions that were applied by management include the following:</p> <ul style="list-style-type: none"> • Future mortality; • Withdrawals; and • Renewal expenses. <p>We considered the valuation of net policyholder assets arising from insurance contracts to be a matter of most significance to our current year audit due to the following:</p> <ul style="list-style-type: none"> • The significant judgement and subjectivity applied by management in setting key assumptions which could result in a material change in the valuation. In particular, we focussed on the expense renewal assumption as the change in this assumption had the most significant impact on the valuation; and • The magnitude of the net policyholder assets arising from insurance contracts balance in relation to total assets and liabilities. 	<p>Our audit work to address the renewal expense assumption included the following:</p> <ul style="list-style-type: none"> • We assessed management’s budgeting process, which included, in particular, the allocation of expenses between the Company and Assupol Life Limited by testing appropriate budget approvals, regular monitoring of actual results versus budget by management and the reasonableness of budgets over the past three years compared to actual results. We found management’s budgeting process to be reasonable. • We tested the classification of expenses between initial and renewal expenses and how these are applied in the valuation considering the nature of the expense and found the classification to be reasonable considering the nature of the expense. • We assessed the appropriateness of management’s renewal expense per policy assumption given the budgeted expenses and volumes. This took into account the completeness of the renewal expenses as well as those expenses excluded from the renewal basis. We concurred with management’s conclusion regarding the renewal expense per policy assumption.
<p><i>Recoverability of deferred tax assets</i> <i>(Refer to note 3.3 and 33 to the financial statements)</i></p> <p>The tax obligation for a South African life insurance company is calculated using the five funds tax approach as defined in the Income Tax Act.</p> <p>In terms of the taxation methodology applied in the Individual Policyholder Fund (“IPF”), Assupol Life Limited (Assupol Life) has in previous years accumulated I-E losses in excess of R1,7 billion as a result of the deductible expenses (“E”) (being mostly commission expenses for risk policies) far exceeding the taxable income (“I”) (being mostly investment income from the investment policies).</p> <p>Management performed an assessment of the recoverability of the deferred tax asset relating to the assessed losses in the IPF and</p>	<p>We obtained management’s calculation of the deferred tax asset and their forecast of the recovery of the assessed loss and performed the following procedures:</p> <ul style="list-style-type: none"> • We made use of our actuarial expertise to assess the reasonableness of assumptions used in the forecast such as surrenders and future investment returns. We found these to be reasonable and in line with the market and historical experience where appropriate. • With the assistance of our tax specialists, we evaluated the appropriateness of the tax principles applied by management in the calculation of the “I-E” projected

<p>recognised a deferred tax asset of R118 million (2018: R43 million) in line with International Accounting Standard 12 (IAS 12).</p> <p>Management used the following assumptions:</p> <ul style="list-style-type: none"> • A 5-year projection term; • Uncertainty in relation to future tax legislation; • No new business was incorporated due to the uncertainty around the timing and quantum of sales relating to the single premium business; • It was assumed that there will be no surrenders of Guaranteed Return Single Premium (“GRSP”) and Guaranteed Income Single Premium (“GISP”) products in the first 3 years and 20% surrenders in years 4 and 5; and • Investment returns remain uncertain, with the single-premium business being particularly sensitive to changes in interest rates. <p>We considered the recognition of the deferred tax asset to be a matter of most significance to the current year audit due to the following:</p> <ul style="list-style-type: none"> • management's forecast of the probability of future taxable “I-E” income was subject to significant judgement and estimation uncertainty, particularly as it relates to interest income and deductible expenses; and • the magnitude of the assessed tax loss. 	<p>taxable income used by management in estimating the recovery of the deferred tax asset in the IPF in terms of the Income Tax Act.</p> <ul style="list-style-type: none"> • We evaluated management’s assessment and assumptions as set out in note 3.4. We found the principles applied by management in the calculation of the deferred tax asset and their assessment of the recoverability of the deferred asset to be reasonable. No material differences were noted.
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Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled “Assupol Holdings Limited and Its Subsidiaries Annual Financial Statements for the year ended 30 June 2019”, which includes the Directors’ Report, the Report of the Audit Committee and the Company Secretary compliance statement as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor’s report, and the other sections of the document titled “Assupol Holdings Limited 2019 Integrated Report”, which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor’s report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to

draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Assupol Holdings Limited for 86 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: DT van den Berg

Registered Auditor

Johannesburg

27 September 2019

STATEMENTS OF COMPREHENSIVE INCOME for the year ended 30 June 2019

	NOTES	CONSOLIDATED		COMPANY	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
Insurance premiums revenue		3 458 166	2 987 369	-	-
Insurance premiums ceded to reinsurers		(101 417)	(234 253)	-	-
Net insurance premium revenue	7	3 356 749	2 753 116	-	-
Commission received on outward reinsurance		3 154	7 222	-	-
Fee income	8	75 651	66 653	-	-
Investment income	9	205 820	188 042	350 012	187 477
Investment income on financial assets at amortised cost	9	87 303	65 404	-	-
Net fair value gains on financial assets	10	16 443	129 394	-	-
Other income	11	(185)	(373)	2	152
Income		3 744 935	3 209 458	350 014	187 629
Insurance benefits and claims		(1 073 840)	(976 742)	-	-
Insurance claims recovered from reinsurers		88 605	224 643	-	-
Net insurance benefits and claims	12	(985 235)	(752 099)	-	-
Commission expenses	13	(824 359)	(631 277)	-	-
Operating and administrative expenses	14	(1 136 925)	(977 532)	(48 178)	(16 287)
Investment management expenses		(13 590)	(10 790)	-	-
Change in insurance contract provisions	28	568 835	532 926	-	-
Fair value adjustments on investment contract liabilities	29	(186 445)	(177 311)	-	-
Expenses		(2 577 719)	(2 016 083)	(48 178)	(16 287)
Result of operating activities		1 167 216	1 193 375	301 836	171 342
Finance charges	15	(16 736)	(14 221)	-	-
Profit before taxation		1 150 480	1 179 154	301 836	171 342
Income tax expense	16	(243 441)	(332 259)	(93)	255
PROFIT FOR THE YEAR		907 039	846 895	301 743	171 597
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		907 039	846 895	301 743	171 597
Profit attributable to:					
Shareholders		907 039	846 895	301 743	171 597
Total comprehensive income attributable to:					
Shareholders		907 039	846 895	301 743	171 597
Group earnings per share					
Basic earnings per share	17	2.39	2.31		
Diluted earnings per share	17	2.20	2.11		

STATEMENTS OF FINANCIAL POSITION as at 30 June 2019

	NOTES	CONSOLIDATED		COMPANY	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
ASSETS					
Property and equipment	18	249 311	250 699	-	-
Intangible assets	19	146 830	137 668	-	-
Investments in subsidiaries	20	-	-	770 526	769 121
Financial assets - Investments	21				
At fair value through profit or loss					
Equity securities		1 264 833	1 205 706	-	-
Debt securities		1 340 178	1 145 601	-	-
Deposits and money market securities		964 732	883 773	-	-
At amortised cost					
Deposits and money market securities		1 157 777	756 524	-	-
Policyholder assets					
Insurance contracts	28	2 994 440	2 424 981	-	-
Reinsurance assets	28	2 891	3 515	-	-
Insurance and other receivables	22	124 140	132 197	41 524	863
Current taxation	35	-	3 031	389	362
Cash and cash equivalents	23	424 812	346 698	12 457	37 398
TOTAL ASSETS		8 669 944	7 290 393	824 896	807 744
EQUITY					
Share capital	24	639 533	639 438	639 533	639 438
Treasury shares	25, 26	(68 106)	(68 106)	(65 601)	(65 601)
Employee benefits reserve	26	204 367	167 485	204 367	167 485
Black Economic Empowerment reserve	27	14 300	14 300	14 300	14 300
Retained earnings		3 477 328	2 931 147	14 038	33 137
TOTAL EQUITY		4 267 422	3 684 264	806 637	788 759
LIABILITIES					
Policyholder liabilities: Investment contracts					
At fair value through profit or loss	29	1 565 953	1 449 596	-	-
At amortised cost	29	1 209 987	727 797	-	-
Other liabilities	30	318 996	189 962	-	-
Employee benefits	31	91 414	79 501	-	-
Deferred revenue liability	32	656	511	-	-
Deferred tax liability	33	861 127	839 869	-	-
Insurance and other payables	34	328 317	318 893	18 259	18 985
Current taxation	35	26 072	-	-	-
TOTAL LIABILITIES		4 402 522	3 606 129	18 259	18 985
TOTAL EQUITY AND LIABILITIES		8 669 944	7 290 393	824 896	807 744

STATEMENTS OF CHANGES IN EQUITY for the year ended 30 June 2019

	SHARE CAPITAL R'000	TREASURY SHARES R'000	EMPLOYEE BENEFITS RESERVE R'000
COMPANY			
Balance at 30 June 2017	601 808	(28 867)	74 504
'B1' shares issued	36 742	(36 742)	-
Cost of incentive shares	-	-	2 045
Share incentive options exercised	-	8	(8)
Deferred bonus recognition	-	-	33 277
Dividend paid	-	-	-
Assupol Life's deferred bonus shares	-	-	-
Share-based payment liability transferred to reserve	-	-	57 667
Adjustment of redemption on preference shares	888	-	-
Profit for the year	-	-	-
Balance at 30 June 2018	639 438	(65 601)	167 485
Cost of incentive shares	-	-	1 448
Share incentive options exercised	-	-	-
Deferred bonus recognition	-	-	35 434
Dividend paid	-	-	-
Assupol Life's deferred bonus shares	-	-	-
Share-based payment liability transferred to reserve	-	-	-
Adjustment of redemption on preference shares	95	-	-
Profit for the year	-	-	-
Balance at 30 June 2019	639 533	(65 601)	204 367
CONSOLIDATED			
Balance at 30 June 2017	601 808	(39 196)	74 504
'B1' shares issued	36 742	(36 742)	-
Treasury shares acquired	-	7 824	-
Cost of incentive shares	-	-	2 045
Share incentive options exercised	-	8	(8)
Deferred bonus recognition	-	-	33 277
Share-based payment liability transferred to reserve	-	-	57 667
Dividend paid	-	-	-
Adjustment of redemption on preference shares	888	-	-
Profit for the year	-	-	-
Balance at 30 June 2018	639 438	(68 106)	167 485
Treasury shares acquired	-	-	-
Cost of incentive shares	-	-	1 448
Share incentive options exercised	-	-	-
Deferred bonus recognition	-	-	35 434
Share-based payment liability transferred to reserve	-	-	-
Dividend paid	-	-	-
Adjustment of redemption on preference shares	95	-	-
Profit for the year	-	-	-
Balance at 30 June 2019	639 533	(68 106)	204 367

STATEMENTS OF CHANGES IN EQUITY for the year ended 30 June 2019

	BEE RESERVE R'000	RETAINED EARNINGS R'000	TOTAL EQUITY R'000
COMPANY			
Balance at 30 June 2017	14 300	34 870	696 615
'B1' shares issued	-	-	-
Cost of incentive shares	-	-	2 045
Share incentive options exercised	-	-	-
Deferred bonus recognition	-	-	33 277
Dividend paid	-	(210 934)	(210 934)
Assupol Life's deferred bonus shares	-	36 742	36 742
Share-based payment liability transferred to reserve	-	-	57 667
Adjustment of redemption on preference shares	-	862	1 750
Profit for the year	-	171 597	171 597
Balance at 30 June 2018	14 300	33 137	788 759
'B2' shares issued	-	-	-
Cost of incentive shares	-	-	1 448
Share incentive options exercised	-	-	-
Deferred bonus recognition	-	-	35 434
Dividend paid	-	(361 982)	(361 982)
Assupol Life's deferred bonus shares	-	41 048	41 048
Share-based payment liability transferred to reserve	-	-	-
Adjustment of redemption on preference shares	-	92	187
Profit for the year	-	301 743	301 743
Balance at 30 June 2019	14 300	14 038	806 637
CONSOLIDATED			
Balance at 30 June 2017	14 300	2 293 006	2 944 422
'B1' shares issued	-	-	-
Treasury shares acquired	-	-	7 824
Cost of incentive shares	-	-	2 045
Share incentive options exercised	-	-	-
Deferred bonus recognition	-	-	33 277
Share-based payment liability transferred to reserve	-	-	57 667
Dividend paid	-	(209 616)	(209 616)
Adjustment of redemption on preference shares	-	862	1 750
Profit for the year	-	846 895	846 895
Balance at 30 June 2018	14 300	2 931 147	3 684 264
Treasury shares acquired	-	-	-
Cost of incentive shares	-	-	1 448
Share incentive options exercised	-	-	-
Deferred bonus recognition	-	-	35 434
Share-based payment liability transferred to reserve	-	-	-
Dividend paid	-	(360 950)	(360 950)
Adjustment of redemption on preference shares	-	92	187
Profit for the year	-	907 039	907 039
Balance at 30 June 2019	14 300	3 477 328	4 267 422

STATEMENTS OF CASH FLOWS for the year ended 30 June 2019

	NOTES	CONSOLIDATED		COMPANY	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
Cash flows from operating activities					
Cash generated from / (utilised in) operations	36	1 074 776	784 506	(12 851)	(18 904)
Net acquisition of financial instruments					
at fair value through profit or loss	21	(318 220)	(276 697)	-	-
at amortised cost	21	(401 253)	(240 748)	-	-
Interest received	9, 36	197 818	172 797	1 707	3 064
Dividends received	9	28 741	16 213	348 305	184 413
Dividends paid		(360 950)	(209 616)	(361 982)	(210 934)
Finance charges	15	(16 736)	(14 221)	-	-
Taxation paid	37	(193 080)	(169 943)	(120)	(36)
Net cash flows from operating activities		11 096	62 291	(24 941)	(42 397)
Cash flows from investing activities					
Acquisition of property and equipment	18	(32 592)	(25 721)	-	-
Acquisition of intangible assets	19	(9 500)	-	-	-
Proceeds on disposal of equipment	18	1 927	15 097	-	-
Payment for acquisition of subsidiary	34	-	(5 875)	-	-
Net cash flows from investing activities		(40 165)	(16 499)	-	-
Cash flows from financing activities					
Shares issued	24	-	-	-	36 742
Decrease in treasury shares	26	-	7 824	-	-
Increase in subordinated debt	30	127 591	-	-	-
Payment of subordinated debt	30	(1 614)	-	-	-
Payment of principal lease payments	30	(18 794)	(11 636)	-	-
Net cash flows from financing activities		107 183	(3 812)	-	36 742
Net increase / (decrease) in cash and cash equivalents		78 114	41 980	(24 941)	(5 655)
Cash and cash equivalents at beginning of the year		346 698	304 718	37 398	43 053
Cash and cash equivalents at end of the year		424 812	346 698	12 457	37 398

1. GENERAL INFORMATION

Assupol Holdings Limited ('Assupol Holdings' or 'the company') and its subsidiaries (collectively referred to as the 'Assupol Group' or 'Group') operate mainly in the financial services industry, with all products and services offered only in the Republic of South Africa.

Assupol Life Limited ('Assupol Life'), the life insurance subsidiary of Assupol Holdings, underwrites life insurance risks, such as those associated with death, disability and dread disease. The company also issues a diversified portfolio of investment contracts, consisting both fixed and variable return portfolios, to provide its customers with asset management solutions for their savings and retirement needs.

Assupol Investment Holdings Proprietary Limited ('Assupol Investment Holdings') holds the investments in the non-life subsidiaries. Following the transfer of operations from Top Top Business Consultants Proprietary Limited ('Top Top Business Consultants') to Assupol Life on 1 March 2019, most of the non-life subsidiaries are dormant and in the process of being wound down with the intent to deregister the companies. These companies include Cornerstone Brokers Corporate Proprietary Limited ('Cornerstone Brokers'), Siebador Sewentien Proprietary Limited ('Siebador Sewentien'), and Top Top Business Consultants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise indicated. All amounts are shown in thousands of South African Rand, rounded to the nearest thousand, unless otherwise indicated.

2.1 Basis of preparation

The consolidated financial statements of the Assupol Group and the financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act, 71 of 2008, in South Africa, the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, as well as the reporting requirements of 4Africa Exchange (4AX).

IFRS comprises International Financial Reporting Standards, International Accounting Standards (IAS) and Interpretations, and are set by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company and Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3 to the financial statements.

The Group and the company prepare the audited financial statements on a going concern basis. The assets and liabilities are valued on the historical cost basis, except for the following items:

Carried at fair value

- Financial assets designated as 'at fair value through profit or loss';
- Financial liabilities for policyholder liabilities under investment contracts designated as 'at fair value through profit or loss'.

Carried at a different measurement basis

- Policyholder liabilities / assets under insurance contracts are valued in terms of the Financial Soundness Valuation (FSV) basis contained in the Actuarial Society of South Africa's Actuarial Practice Note SAP104 and described in accounting policy 2.18.3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Standards and interpretations not yet effective

The following accounting standards that are applicable to the Group have been amended by the International Accounting Standards Board (IASB), but with effective dates that are after the Group's current reporting period. The Group will comply with the amendments from the effective date. The standards have not been early adopted and the impact thereof is currently being assessed. The effective date that is indicated below represents financial periods beginning on or after that specific date, unless otherwise indicated.

- *IFRS 17 - Insurance contracts (effective 1 January 2022, subject to the conclusion of the current exposure draft process)*

The standard eliminates inconsistencies and weaknesses in existing practices by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. It also provides requirements for presentation and disclosure items to enhance comparability between entities.

The first set of financial results for the Assupol Group, that will incorporate IFRS 17 in full, will be the annual financial statements for the year ending 30 June 2023.

The Group's IFRS 17 steering committee manages the process and meets on a monthly basis. The steering committee is supported by various work groups. During the financial year developments have been focused on product classification, direct attributable expense allocation, and enhancing the actuarial system to support the data requirements of the IFRS 17. Assupol is participating in various industry forums to ensure that its interpretation and application of the standard is appropriate.

2.1.2 Temporary exemption from IFRS 9 - Financial instruments ((effective 1 January 2018)

The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, as well as a new impairment model for financial assets. This standard replaces the multiple classification and measurement models in IAS 39 (Financial instruments - recognition and measurement) with a single model that has only two classification categories: amortised cost and fair value.

The Group elected to defer the implementation of this standard to coincide with the implementation of IFRS 17 as a result of an assessment performed by management in line with the deferral provisions in IFRS 4. Based on this assessment it was concluded that the Group meets these provisions due to the fact that the Group's insurance liabilities exceed 80% of total liabilities. There has been no change in the Group's activities that warrants a reassessment of applying the temporary exemption from IFRS 9. The Group has not previously applied IFRS 9 and qualified for the exemption from the period preceding 1 April 2016.

The amendment of IFRS 4 (Insurance contracts) requires entities to disclose the fair value at the end of its reporting period and the change in fair value during the period for groups of financial assets with contractual cash flows that are solely payments of principal and interest (SPPI) and other financial assets separately.

The company has implemented IFRS 9. Refer to note 42 for the impact.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.2 *Temporary exemption from IFRS 9 - Financial instruments ((effective 1 January 2018) (continued)*

The Group has assessed its financial instruments to determine whether or not it contains contractual cash flows that meet the SPPI criteria. The table below summarises the results of this assessment.

	Financial instruments			Other financial instruments R'000
	Amortised cost meeting		Total	
	SPPI R'000	FVTPL R'000	R'000	
Local listed shares				
Opening balance	-	921 399	921 399	-
Contributions	-	81 416	81 416	-
Withdrawals	-	(40 737)	(40 737)	-
Increase / (decrease) in fair value	-	(40 311)	(40 311)	-
Investment income	-	34 238	34 238	-
Fees	-	(887)	(887)	-
Closing balance	-	955 118	955 118	-
Global unit trusts				
Opening balance	-	284 307	284 307	-
Contributions	-	31 945	31 945	-
Withdrawals	-	(26 765)	(26 765)	-
Increase / (decrease) in fair value	-	17 309	17 309	-
Investment income	-	2 563	2 563	-
Fees	-	356	356	-
Closing balance	-	309 715	309 715	-
Debt securities				
Opening balance	-	1 145 601	1 145 601	-
Contributions	-	136 740	136 740	-
Withdrawals	-	(85 805)	(85 805)	-
Increase / (decrease) in fair value	-	39 980	39 980	-
Investment income	-	106 551	106 551	-
Fees	-	(2 889)	(2 889)	-
Closing balance	-	1 340 178	1 340 178	-
Deposits and money markets securities				
Opening balance	756 524	883 773	1 640 297	-
Contributions	350 540	361 701	712 241	-
Withdrawals	(12 268)	(343 164)	(355 432)	-
Increase / (decrease) in fair value	(96)	(439)	(535)	-
Investment income	66 564	64 266	130 830	-
Fees	(3 487)	(1 405)	(4 892)	-
Closing balance	1 157 777	964 732	2 122 509	-
Other receivables				
Opening balance	12 404	-	12 404	27 024
Investment income	808	-	808	-
Repayment received	(2 008)	-	(2 008)	(11 049)
Closing balance	11 204	-	11 204	15 975
Cash and cash equivalents				
Opening balance	346 698	-	346 698	-
Net contributions received	78 114	-	78 114	-
Closing balance	424 812	-	424 812	-

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.2 Basis of consolidation**

The Group's financial statements represent the consolidated financial position and changes therein, operating results, and cash flow information of the company and all of its subsidiaries.

2.2.1 Interest in subsidiaries (refer notes 5.4.1.b and 40).

Under IFRS 10 all entities, including structured entities such as collective investment schemes, over which the Group has control are regarded as subsidiaries. The Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The shares held by the Assupol Share Incentive Trust have been consolidated into the financial results of the Group as the Group has effective control over these shares.

Investments in subsidiaries are accounted for at cost less accumulated impairment losses in the stand-alone financial statements of the company.

The Group applies the acquisition method of accounting to account for the acquisition of subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are derecognised from the date that control ceases. The Group recognises identifiable assets and liabilities, and contingent liabilities acquired in its statement of financial position at their fair values at the date of acquisition. It eliminates all inter-company transactions, balances and unrealised surpluses and deficits on transactions between companies in the Group. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Therefore, the cost of the acquisition is measured as the fair value of assets given and liabilities assumed at date of exchange and costs directly attributable to the acquisition.

The interest of non-controlling shareholders is stated at their proportionate share of the subsidiary's identifiable net assets on an acquisition-by-acquisition basis. Once the company no longer controls or has significant influence over a subsidiary, the investment is treated as a financial instrument in terms of IAS 39.

2.2.2 Subsidiaries under common control

Common control is defined as a business combination in which all the combining entities are ultimately controlled by the same party both before and after the business combination and control is not transitory.

The cost of an acquisition of a subsidiary under common control is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. On acquisition the carrying values of assets and liabilities are not restated to fair value. Under the principles of predecessor accounting, the Group incorporates assets and liabilities at their pre-combination carrying amounts. Any excess/deficit of the purchase price over the ultimate holding company's pre-combination recorded net asset value of the subsidiary is adjusted directly to equity.

2.3 Foreign currency translation**2.3.1 Functional and presentation currency**

The Group presents its financial statements in South African Rand (ZAR), the functional currency of the holding company and its subsidiaries.

2.3.2 Transactions and balances

The Group converts transactions in foreign currencies to South African Rand at the spot rate on the transaction date. Monetary assets and liabilities in foreign currencies are translated to South African Rand using the rates of exchange ruling at the financial year-end. Any translation differences are included in profit or loss in the period in which the difference occurs in 'net fair value gains on financial assets'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4 Revenue recognition and other income and expenses***2.4.1 Revenue recognition**2.4.1.a Income in terms of IFRS 4**(i) Insurance premiums received*

Refer to the accounting policy on Policyholder contracts - Investment and insurance, note 2.18.

(ii) Reinsurance premiums received

Reinsurance premiums are recognised when due in accordance with the terms of each insurance contract.

*2.4.1.b Income in terms of IFRS 15**(i) Fee income*

Fee income includes income from the administration of investment contracts on behalf of policyholders. A management fee is charged to manage the investments of the contracts and is recognised over time as the customer receives the benefits as the services are performed. The fee income is calculated by using an agreed percentage and is payable monthly in arrears. Each management fee contract is seen as a single performance obligation to provide the services to the customer over the duration of the contract. Therefore, revenue from administration of investment contracts are recognised and recorded monthly.

Surrender charges are levied on an investment contract when it is prematurely terminated or lapsed due to non-payment of premiums. This is done to recover any unrecovered expenses incurred when the contract was issued. Surrender charges are seen as separate performance obligation and are recognised when they are paid i.e. at a point in time.

*2.4.1.c Income in terms of IAS 39**(i) Investment income*

Investment income is recognised in the following manner:

- Dividends are brought to account once the last date of registration has passed.
- Interest for all interest-bearing financial instruments, including financial instruments measured 'at fair value through profit or loss', is recognised within investment income, and is accounted for on the effective interest rate method.

2.4.1.d Other income

Other income comprises mainly of profit on disposal of equipment.

2.4.2 Acquisition costs of insurance and investment contracts

Acquisition costs on investment contracts with investment management services are recognised as deferred acquisition costs. The annual amortisation of the deferred acquisition costs is included in the acquisition cost expense.

Acquisition costs for the guaranteed single premium products are recognised within the fair value of the contract at initial recognition.

Acquisition costs on insurance contracts include both new business and renewal commissions as well as expenses related thereto, including sales managers' remuneration and production bonuses payable. These acquisition costs are expensed as incurred.

2.4.3 Operating and administration expenses

Operating and administration expenses include head office and branch administration expenditure, marketing and development expenditure as well as all other non-commission related expenditure, and are expensed as incurred.

2.4.4 Finance charges

Interest expense is recognised as finance charges in profit or loss using the effective interest rate method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Reinsurance contracts held

Reinsurance contracts are contracts entered into by the Group with reinsurers under which the Group is compensated for the entire or a portion of losses arising on one or more of the insurance contracts issued by the Group.

The expected benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due by reinsurers (classified within insurance and other receivables), as well as longer-term receivables (classified as reinsurance assets), if any, that are dependent on the present value of expected claims and benefits arising net of expected premiums payable under the related reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured contracts and in accordance with the terms of each reinsurance contract.

Insurance premiums received on reinsurance agreements

Insurance premiums received on reinsurance agreements are recognised when receivable. Premiums are shown before deduction of commission. Outstanding premiums are included in receivables.

Insurance premiums ceded to reinsurers

Insurance premiums ceded to reinsurers are recognised when due for payment, and calculated in terms of the reinsurance contract. Premiums are shown before accrual of commission. Unpaid premiums are included in payables.

Insurance claims incurred in respect of reinsurance agreements

Insurance claims incurred in respect of reinsurance agreements are recognised when the claim is received from the party that was reinsured.

Insurance claims recovered from reinsurers

Insurance claims recovered from reinsurers are recognised in profit or loss in the same period as the related claim at the undiscounted amount receivable in terms of the contracts.

2.6 Taxation

2.6.1 Current taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-taxable or disallowed. It is calculated using taxation rates and legislation that have been enacted by the end of the reporting period.

Current tax includes South African corporate tax payable as well as capital gains tax.

Taxation in respect of the South African life insurance operations is determined using the 'five fund' method applicable to life insurance companies.

2.6.2 Dividend withholding tax

Dividend withholding tax is a tax on distributions to beneficial owners and levied at 20%. A beneficial owner is the person entitled to the benefit of the dividend attaching to a share. The tax is payable by the beneficial owners and not the Group.

2.6.3 Deferred taxation

The Group calculates deferred taxation using the liability method. It calculates deferred tax liabilities or assets by applying corporate enacted or substantially enacted tax rates to the temporary differences existing at each end of a reporting period between the tax values of assets and liabilities and their carrying amount in the financial statements, where such temporary differences are expected to result in taxable or deductible amounts in determining taxable income for future periods when the carrying amount of the assets and liabilities are recovered or settled. If the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

The Group recognises deferred tax assets if the directors of the Group consider it probable that future taxable income will be available against which the unused tax losses can be utilised. The major categories of assets and liabilities giving rise to a deferred taxation balance are policyholder valuation basis on investment contracts, policyholder liabilities special transfers, deferred acquisition costs, deferred revenue liabilities, and unrealised gains on investments and intangible assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.7 Dividend distributions**

Dividend distributions to the company's shareholders are recognised in the Statement of Changes in Equity when declared. If they have not yet been paid, it is disclosed as a liability in the financial statements in the period in which the dividends were approved by the company's directors.

2.8 Recognition of assets, liabilities and provisions**2.8.1 Assets**

The Group recognises assets when it obtains control of a resource as a result of past events, and from which future economic benefits are expected to flow to the Group.

2.8.2 Liabilities and provisions

The Group recognises liabilities, including provisions when:

- it has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

If the effect of discounting is material, provisions are discounted using an appropriate discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Group recognises a provision for onerous contracts, except on insurance contracts (for which the liability adequacy test is required), when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

2.9 Property and equipment**2.9.1 Measurement**

Equipment is initially recorded at cost and subsequently measured at historical cost less accumulated depreciation and impairment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

The measurement of right-of-use assets is described in note 2.10.

2.9.2 Depreciation

The Group depreciates property and equipment on a straight-line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives. Management reviews useful lives annually to evaluate their appropriateness and current and future depreciation charges are adjusted accordingly.

The periods of depreciation (for both owned and leased assets) are as follows:

- | | |
|---------------------------------|--------------|
| • Office equipment | 5 - 10 years |
| • Computer equipment | 3 - 5 years |
| • Motor vehicles | 5 years |
| • Right-of-use asset: Property | 2 - 10 years |
| • Right-of-use asset: Equipment | 3 - 5 years |

There has been no change to useful lives from those applied in the previous financial year. The residual values and useful lives are reassessed on an annual basis.

The Group impairs an asset to its recoverable amount when there is an impairment indicator in the carrying value of the asset.

2.9.3 Gains and losses on disposal

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the Statement of Comprehensive Income in 'other income'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.10 Accounting for leases - where the Group is the lessee**

Assets and liabilities arising from a lease are initially measured at present value.

Lease liabilities are determined as the net present value of the lease payments less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct cost, and restoration costs. The right-of-use assets are included in Property and Equipment. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases, i.e. leases with a lease term of 12 months or less, and leases of low-value assets are recognised on a straight line basis as an expense in profit or loss.

2.11 Intangible assets**2.11.1 Deferred acquisition costs (DAC)**

Refer note 2.18.2 for the accounting treatment of the DAC intangible asset.

2.11.2 Goodwill

All business combinations are accounted for by applying the acquisition method of accounting. The cost of the business combination is the fair value of the purchase consideration due at the date of acquisition. Goodwill represents the excess of the purchase price consideration of an acquisition over the attributable fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill that arises in a business combination is not amortised, and is carried at cost less accumulated impairments.

Impairment tests are performed annually on all cash generating units to which goodwill can be allocated. A cash generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows generated by other groups of assets. Impairment losses recognised against goodwill may not be reversed.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired (including contingent liabilities) over the cost of acquisition. Negative goodwill is recognised in profit in the year in which it arises.

2.11.3 Trademark and customer relationships

Acquired trademarks and customer relationships are initially accounted for at fair value and subsequently shown at cost less accumulated amortisation. Trademarks and customer relationships have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and customer relationships over their estimated useful lives of 5 years.

2.11.4 IT development cost

IT development cost is capitalised only after technical and commercial feasibility of the asset for use have been established. It is initially accounted for at cost and is subsequently carried at cost less accumulated amortisation less impairments. It has a finite useful life. Amortisation is reflecting the pattern of benefits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.12 Financial assets**

Financial assets carried on the Statement of Financial Position include all assets, except for property and equipment, intangible assets, current tax and deferred tax assets.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

The Group classifies its financial assets into the following categories:

- Financial assets designated as 'at fair value through profit or loss'; and
- Financial assets carried 'at amortised cost'.

The Group does not currently hold any held-to-maturity or available-for-sale financial assets.

2.12.1 Financial assets designated as 'at fair value through profit or loss'Initial classification and recognition

Assets are designated on initial recognition as 'at fair value through profit or loss' to the extent that it produces more relevant information because it:

- results in the reduction of measurement inconsistency (for accounting mismatch) that would arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or
- is managed as a group of financial assets and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about the assets is provided internally to the entity's key management personnel.

Financial assets classified as 'at fair value through profit or loss' consist of local listed shares, local and global unit trusts, corporate and government bonds, debt securities in parastatals, utilities and municipalities, investment in insurance policies, deposits and money market securities.

Financial assets listed in this category are recognised initially at fair value on trade date, which is the date on which the Group assumes or transfers substantially all risks and rewards of ownership. Transaction costs are expensed as incurred.

Subsequent measurement

Assets in this category are subsequently measured at fair value and the fair value adjustments are recognised in the Statement of Comprehensive Income in 'investment income' or 'net fair value gains on financial assets'. No impairment test is therefore necessary on this asset class.

2.12.2 Financial assets carried 'at amortised cost'.Initial classification and recognition

Financial assets in this category, are classified as loans and receivables and other financial assets, i.e. assets that do not meet the definition of loan and receivables or assets not classified 'at fair value through profit or loss'. These assets are recognised initially at fair value on trade date plus transaction costs that are directly attributable to their acquisition. The trade date is the date on which the Group commits to purchase or sell the financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent measurement and impairment

Assets in this category are subsequently measured at amortised cost, using the effective interest rate method.

The impairment for financial assets in this category is recognised in accordance with 2.13.1.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Impairment of assets

2.13.1 Financial assets carried at amortised cost

At the end of a reporting period the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in payments;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:
 - > adverse changes in the payment status of debtors in the Group; or
 - > national economic conditions that correlate with defaults on the assets in the Group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on insurance and other receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

2.13.2 Impairment of other non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.14 Loans to policyholders

Loans to policyholders are classified as 'financial assets carried at amortised cost.' (refer to note 2.12.2). Loans were granted to a maximum of 75% of the cash value (the policy value less policy cost balance) of the respective policy. Interest is charged at a prime linked rate. If any bad debt arises, it is written off during the year in which it is identified. The granting of loans to policyholders was discontinued in September 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.15 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks, money at call, notice deposits and cash on hand, but do not include money market securities held for investment. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Instruments included in cash and cash equivalents are those with maturity dates of three months or less.

2.16 Share capital

Ordinary and preference shares are classified as equity.

2.17 Equity-settled share-based payments

The equity-settled share-based payments in the Group include the share incentive shares to certain qualifying employees, the deferred bonus scheme and other share incentives.

Equity-settled share-based payments to employees of the Group are measured at the fair value of the equity instruments at the grant date. The fair value of the treasury shares pertaining to the share incentive shares is the value of the options less the value of the notional loan at date of issue.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the applicable vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in the employee benefits reserve. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimate, if any, is recognised in profit or loss so that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Unvested shares relating to equity-settled share-based payments are held as treasury shares until such time as the counterparty elects to exercise their share option, at which time the treasury share and the corresponding employee benefit reserve charge are netted off against each other. In the event that the option is not exercised within the appropriate window, the respective ordinary shares and related treasury shares are cancelled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Policyholder contracts - Investment and insurance

2.18.1 *Investment and insurance contract classification*

The Group issues contracts that transfer insurance risk or financial risk or, in some cases, both.

An insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Such contracts may also transfer financial risk. The Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur. Any reference to "insurance liabilities" or "policyholders liabilities" also includes policyholder assets.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

2.18.2 *Investment contracts*

The Group issues investment management contracts with fixed and guaranteed terms, and without fixed and guaranteed terms (unit linked).

Valuation

Investment contracts without fixed and guaranteed terms are financial liabilities of which the fair value is dependent on the fair value of the underlying financial assets and are designated at inception as 'at fair value through profit or loss'.

The Group's valuation methodologies incorporate all factors that market participants would consider and are based on observable market data. The fair value of a unit linked financial liability is determined by using the current unit price that reflects the fair values of the financial assets contained within the Group's unitised investment funds linked to the financial liability, multiplied by the number of units attributed to the policyholder at the end of the reporting period.

Investment contract liabilities measured at fair value are taken as the maximum of the amount repayable on demand or the statutory calculated liability.

Investment contracts with fixed and guaranteed terms are financial liabilities that are initially recognised at fair value net of acquisition cost, and are classified at inception as financial liabilities held 'at amortised cost'.

Investment management fees on investment contracts and deferred revenue liability (DRL)

Investment management fees on investment contracts without fixed and guaranteed terms are recognised when the performance obligations of the contracts have been fulfilled.

Fees are charged to the customer on a monthly basis, by making a deduction from invested funds, or by deducting the fee from the premium prior to the purchase of the investment units.

A deferred revenue liability is recognised in respect of upfront fees, which are directly attributable to a contract, that are charged when securing the investment management service contract. The deferred revenue liability is released to revenue when the services are provided as the customer received the benefit simultaneously. Therefore revenue is recognised and released on a monthly basis over the expected duration of the contract.

Amounts received and claims incurred on investment contracts

Amounts received under investment contracts, such as premiums and investment returns, are credited to investment contract liabilities. Claims incurred are recorded as deductions from investment contract liabilities.

Deferred acquisition costs (DAC) in respect of investment contracts

Commissions paid and other incremental acquisition costs are incurred when new investment contracts are entered into or existing investment contracts are renewed. These costs, if specifically attributable to an investment contract with an investment management service element, are deferred and amortised on a straight-line basis over the average expected life of the contract, as they represent the right to receive future management fees.

A deferred acquisition cost asset is recognised for all applicable contracts with the amortisation being calculated per contract.

An impairment test is conducted annually at the end of the reporting period on the deferred acquisition cost balance on a per-policy basis, to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment contracts. An impairment is recognised when the contract is prematurely cancelled and the impairment charge is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Policyholder contracts - Investment and insurance (continued)

2.18.2 Investment contracts (continued)

Receivables and payables related to investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and policyholders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets at amortised cost. The impairment loss is also calculated under the same method used for these financial assets. These processes are described in accounting policy 2.13.

2.18.3 Insurance contracts

Valuation

Defined insurance contracts may be measured under existing local practice in terms of IFRS 4 - Insurance contracts. Assupol Life have applied the actuarial practice notes relating to the South African long-term insurance industry to determine the accounting policy with regards to the liabilities in respect of issued insurance contracts at the adoption of IFRS.

Policyholder liabilities/assets are determined on a discounted cash flow method in terms of the Financial Soundness Valuation Method and Assumptions (FSV), as contained in the Standards of Actuarial Practice (SAP) and Actuarial Practice Notes (APN) of the Actuarial Society of South Africa (SAP104 and APN110). Also included in the liability are HIV/AIDS reserves as calculated in accordance with APN105.

The liability with regard to insurance business is calculated each year using assumptions that are consistent with the market value / fair value of the assets on that date. In determining the liability, based on a discounted cash flow approach, the discount rate is derived from the expected returns of the appropriate portfolio of assets supporting this business.

In the valuation of policyholder contracts, provision is made for:

- The best estimate of future experience;
- The compulsory margins prescribed in SAP104;
- Reserves for minimum maturity values and other guaranteed benefits arising from minimum contractual investment returns, as calculated per APN110; and
- Discretionary margins are held where required to reflect possible variability in expected experience or ensure that profit or risk margins in the premium rate are not recognised before the economic benefit is likely to flow to Assupol Life.

The FSV method (as prescribed by SAP104) for valuing insurance contracts makes implicit allowance for the deferral of acquisition costs in the insurance liability and therefore all acquisition costs on insurance contracts are expensed when incurred.

The policyholder contract assumptions are reviewed annually. Any changes in assumptions and/or other changes to the liability calculation are effected in profit or loss as they occur.

The measurement basis for the insurance contracts are divided into the following three categories, based on the nature of the contracts.

- Non-profit insurance contracts

These contracts offer defined benefits that are payable on death. These policies do not participate in annual bonus distributions.

The policyholder asset / liability is calculated as the discounted value of the expected future benefit payments, plus the future administrative expenses that are directly related to the contract, less the discounted value of expected future premiums.

- Market related contracts

Liabilities for individual market related policies, where benefits are in part dependent on the performance of underlying investment portfolios, are taken as the aggregate value of the policies' investment in the investment portfolio at the valuation date, reduced by the excess of the present value of the expected future risk and expense charges (excluding any explicit profit charges) over the present value of the expected future risk benefits and expenses on a policy by policy cash flow basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Policyholder contracts - Investment and insurance (continued)

2.18.3 Insurance contracts (continued)

- Group insurance contracts

The post claim liability consists of two elements namely claims that have been reported i.e. outstanding reported claims, as well as claims that have not yet been reported i.e. incurred but not reported (IBNR). Outstanding reported claims are included in 'insurance and other payables'. An IBNR provision is held as part of the insurance contracts liabilities. The IBNR provisions are either based on a percentage of the premiums payable or Bornhuetter-Ferguson run-off triangles. The Bornhuetter-Ferguson method of estimating outstanding claims combines an estimated loss ratio method with a projection method, which refers to methods such as the basic chain ladder method that is based on past claim amounts and / or numbers.

Outstanding claims provisions

Claims that have been reported, and are not yet paid, are shown as outstanding claims and are stated gross of reinsurance.

Embedded derivatives

Derivatives embedded in an insurance contract are not separated and measured at fair value if the embedded derivative itself qualifies for recognition as an insurance contract. As such, the Group does not separately measure any embedded derivatives as they qualify for recognition as an insurance contract and are measured as insurance contracts. The liability in respect of the investment guarantees underlying maturity and death benefits on the 'Conventional with-profits' policies and some of the 'New Series Universal Business' policies are measured in accordance with the actuarial guidance note APN110. Future asset returns are projected stochastically using a recognised actuarial model, i.e. the TSM Real World model. The model has been calibrated to current market conditions in South Africa. The costs arising from the guarantees are calculated in each simulation and the liability is then calculated based on the mean present value of these costs.

Liability adequacy test

At each end of a reporting period the adequacy of the insurance liabilities is assessed. If the assessment shows that the carrying amount of the insurance liabilities (as measured under a prospective gross premium valuation basis), net of any related intangible present value of acquired in-force business (PVIF) assets, is inadequate in the light of the estimated future cash flows (based on the best estimate basis underlying the FSV basis, but excluding compulsory margins as prescribed in SAP104), the deficiency is recognised in profit or loss.

Premium income

Premium income on insurance contracts is shown gross of outward reinsurance. Premiums are shown before deduction of commission and administration fees. Premium income received in advance is included in insurance and other payables.

Premium income originates from various sources, and is recognised as follows:

- Individual insurance contracts - recurring: when due;
- Individual insurance contracts - single: when received; and
- Group schemes: when received.

Insurance benefits and claims

Claims on insurance contracts that include death, disability, maturity, and surrender payments, are recognised in profit or loss when incurred, based on the estimated liability for compensation owed to policyholders. It also includes claims that arise from death and disability events that have occurred up to the end of the reporting period even if the claims were not reported to the life insurer (IBNR claims).

Reinsurance recoveries are accounted for in the same period as the related claim.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.19 Other liabilities**

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Financial liabilities carried on the Statement of Financial Position include all liabilities except for policyholder liabilities under insurance contracts, employee benefits, deferred revenue liability, deferred taxation as well as current taxation.

A liability is derecognised when it is legally extinguished.

2.19.1 Financial liabilities excluding policyholder liabilities under investment contractsInitial classification and recognition

Financial liabilities are initially recognised at fair value.

Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

2.19.2 Policyholder liabilities under investment contractsInitial classification and recognition

These financial liabilities are accounted for 'at fair value through profit or loss' and 'at amortised cost'.

Subsequent measurement

Refer to accounting policy 2.18.2 for a detailed description of the valuation of these contracts.

Liabilities classified at 'fair value through profit or loss' are subsequently carried at fair value and changes in fair value are recognised in the Statement of Comprehensive Income under 'fair value adjustments on investment contract liabilities'.

Financial liabilities classified 'at amortised cost' are subsequently carried at amortised cost, using the effective interest rate method.

2.20 Employee benefits**2.20.1 Retirement fund**

The Group contributes to a defined contribution pension fund for employees. The fund is registered in terms of the Pension Funds Act, 24 of 1956. Contributions in respect of current service cost are based on a percentage of pensionable earnings and are accounted for in profit or loss as incurred. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

2.20.2 Leave pay accrual

The Group recognises in full employees' rights to annual leave entitlement in respect of past service.

2.20.3 Bonus provision

A provision is raised for employee bonuses, based on a percentage of their annual package. Bonuses arise as a result of a constructive obligation and are payable to employees at the discretion of the Board of Directors, taking cognisance of the financial results and individual key performance areas for the year under review.

A provision is raised for the cash bonuses of executive and senior management, based on the Group's bonus scheme.

In terms of the bonus scheme the deferred bonus component is issued in shares of which the right to trade is restricted for a period of 3 years. For bonuses awarded prior to the 2016 financial year, the economic benefits of the issued shares, including the receipt of dividends, were not restricted. The economic benefit of subsequent bonus shares issued is restricted for the vesting period of 3 years. The expense of the deferred bonus is recognised over the period of the restriction from the date that the bonus is awarded. The deferred bonus is accounted for as an equity-settled share-based payment - refer note 26.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Segment information

Operating segments are reported in a manner consistent with the integral reporting provided to the chief operating decision-maker. The chief operating decision-maker empowered to make strategic decisions and which is responsible for allocating resources and assessing performance of the operating segments has been identified as the Group Executive Committee.

The Group discloses its operating segments according to the entities in the Group that are regularly under review by the Group Executive Committee.

The Group's operations are analysed across three reportable operating segments. This is consistent with the way the Group manages the business. The reportable operating segments are based on the categorisation of the entities in the Group with similar business activities. The segments are life insurance, intermediaries, and other.

Segment information is prepared in conformity with the measure that is reported to the Group Executive Committee. The values are reconciled to the consolidated annual financial statements. The measures reported by the Group is in accordance with the accounting policies adopted for preparing and presenting the consolidated annual financial statements.

The segment revenue and expenses comprise of all revenue and expenses which are directly attributable to the segment, or can be allocated to the segment on a reasonable basis. Only those segment assets and liabilities that are directly attributable to the segment or can be reasonably allocated, are disclosed in the segment report.

3. CRITICAL ACCOUNTING ESTIMATES

The Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

3.1 Policyholder liabilities / assets under long-term insurance contracts

The determination of the liabilities / assets under long-term insurance contracts is dependent on estimates made by the Group. The assumptions and estimates used to arrive at these liabilities / assets are described in note 4 to the financial statements.

The assets under long-term insurance contracts increased by R568.8 million resulting in a net year-end asset balance of R2 997.3 million.

For further information refer notes 4.4 and 28 to the financial statements.

3.2 Impairment of goodwill

Impairment tests are performed on all cash generating units ('CGU') to which goodwill is allocated. A cash generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows generated by other groups of assets. Impairment losses recognised against goodwill may not be reversed. In assessing a possible impairment, judgements and estimates are made of the future cash flows and the appropriate discount rates in determining the value of the cash generating unit. For further information, refer note 19 to the financial statements.

3. CRITICAL ACCOUNTING ESTIMATES (continued)

3.3 Current and deferred tax

The Group is subject to tax in South Africa. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The Group recognises liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination was made. The corporate tax rate in South Africa is 28% (2018: 28%). Assupol Life have four separate tax funds namely the individual policyholders' fund (IPF) (taxed at 30% in both years), the untaxed policyholders' fund (UPF) (not taxed), risk policy fund (RPF) (taxed at 28% in both years) and the corporate fund (taxed at 28% in both years). Assupol Life has not issued any insurance contracts to corporate entities, hence does not maintain a separate corporate policyholder fund.

In the five fund approach, the RPF provided the option of a "once off election" to move risk business from the IPF to the RPF. All new risk policies are now taxed in the RPF.

In terms of the taxation methodology applied in the IPF, Assupol Life has accumulated ("I-E") losses in excess of R1.7 billion as a result of the deductible expenses ("E") (being mostly commission expenses for risk policies) far exceeding the taxable income ("I") (being mostly investment income from the investment policies). With new business written in the IPF, constituting mostly investment policies, the fund has started generating excess "I" over "E" resulting in the utilisation of the assessed loss.

Deferred tax assets are assessed for probable recoverability based on applicable estimated future business performance and related taxable projected income.

Management has performed projections that indicate that the recovery of the assessed loss in the IPF has become more probable due to the volumes of guaranteed-return single-premium policies (GRSP) and guaranteed-income single-premium plan (GISP) business written. As a result a deferred tax asset of R118.2 million (2018: R43.0 million) was recognised in terms of IAS 12: Income taxes. A component of this amount relates to the existing savings book. These projections were based on the following assumptions:

- A 5-year projection term was used as it coincides with the Group's business planning cycle;
- No new business was incorporated due to the uncertainty around the timing and quantum of sales relating to the single-premium business;
- Investment returns remain uncertain, with the single-premium business being particularly sensitive to changes in the interest rates;
- It was assumed that there will be no surrenders of GRSP and GISP products in the first 3 years and 20% surrenders in years 4 and 5; and
- There is uncertainty around future changes to tax legislation.

Management will monitor this assumption annually as there is currently no sufficient experience available to inform another view. If the assumption for year 4 and 5 was 10%, the additional deferred tax asset would increase to R86.0m, with an additional R10.8m impact on profit after tax.

3.4 Leases

The Group has lease agreements for various properties and equipment. These agreements are typically for fixed periods of 1 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes.

Extension and termination options are included in a number of property leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the subsidiaries in the Group and not by the respective lessor. These options are not included in the calculation of the right-of-use assets or lease liability.

The Group has applied IFRS 16 to all qualifying leases. At date of recognition, the company recognises the right-of-use asset and lease liability. The right-of-use asset is initially measured at cost, which comprise the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The lease liability is initially measured at the present value of the lease payments at date of recognition.

The incremental borrowing rate applied to the lease liabilities relating to property leases ranges between 7.03% and 9.27%. Finance charges on the head office building has been determined as the rate implicit within the lease of 7.03%.

The incremental borrowing rate applied to the lease liabilities relating to equipment leases ranges between 6.15% and 11.55%.

4. ASSUMPTIONS AND ESTIMATES RELATING TO POLICYHOLDER (ASSETS) / LIABILITIES

The valuation of insurance assets / liabilities is a function of methodology and assumptions. The methodology is described in the accounting policies. The assumptions used are best estimate assumptions, with the addition of explicit compulsory margins as prescribed by SAP104 of the Actuarial Society of South Africa, liabilities for minimum contractual investment returns as prescribed by APN110, as well as additional allowed discretionary margins.

4.1 Assumptions for discounted liabilities

The key assumptions used in the calculation of the insurance liabilities are based on recent experience investigations of Assupol Life's business. Every year each assumption is reviewed based on the results of the most recent experience investigations. The intention is to arrive at a best estimate of Assupol Life's experience. Once the best estimate is determined, compulsory margins (per the Actuarial Society of South Africa's Standard of Actuarial Practice SAP104) are incorporated as described above. Where data is not credible, more prudent assumptions are used based on industry data where available. However, for the bulk of Assupol Life's business, internal data was used. To allow for the expected claims due to AIDS, the AIDS tables produced by the Actuarial Society of South Africa were used. The results of the internal mortality investigations were used to establish current levels relative to these tables.

The results of the experience investigations are briefly described below:

Demographic: Mortality

A detailed mortality investigation was undertaken for homogeneous groupings of business for the year ending 30 June 2019 based on the in-force data file, movements and claims in the year. These results were used to set the mortality and AIDS assumptions relative to the latest published local assured lives and AIDS tables. The impact of the changes made is disclosed in note 4.4.

Demographic: Withdrawal

A detailed withdrawal investigation was carried out for the year ending 30 June 2019 based on homogeneous groupings of business. Based on this investigation (and those carried out for the previous year), the withdrawal assumptions for the main classes of business were set to reflect the recent and expected future experience. The impact of the changes made is disclosed in note 4.4.

Operational: Expenses

- The current assumed level of future expense inflation is 5.42% (2018: 6.05%) per annum for Assupol Life. This level of inflation is supported by Assupol Life's actual expense experience, the inflation implied by the fixed and index linked yield curves, the South African Reserve Bank's long-term inflation target of between 3% and 6%, and the assumption that life companies typically suffer expense increases slightly above general inflation.
- The allocation of total expenses between initial and renewal is based on management's best estimate for both group and individual business. The analysis compares historic expenses (last year's assumptions plus inflation) and budgets.
- Once-off expenses are identified and excluded from the analysis.

Economic: Investment returns

The investment return assumption for all classes of business was determined based on:

- The current zero coupon yield curve (assuming appropriate duration); less
- A compulsory margin (prescribed as being 0.25%).

The following long-term assumptions were applied for each asset class (net of any credit default allowance):

	Assupol Life	
	2019	2018
Debt securities and other loans	7.70%	8.50%
Deposits and money market securities	5.70%	6.50%
Equity securities	11.20%	12.00%
Policyholder loans	13.20%	14.00%
Loans to personnel	7.70%	8.50%
Foreign investments	6.70%	7.50%
Net current assets	0.00%	0.00%

4. ASSUMPTIONS AND ESTIMATES RELATING TO POLICYHOLDER (ASSETS) / LIABILITIES (continued)**4.1 Assumptions for discounted liabilities (continued)**

The expected long-term returns assumptions used in the valuation are:

	Assupol Life	
	2019	2018
Debt securities and other loans	7.70%	8.50%
Non unit linked business (excluding with-profits business)	7.70%	8.50%
With-profits business	7.70%	8.50%
Unit linked business	8.10%	8.90%

Economic: Tax

Future taxation and taxation relief is allowed for at the rates and on the bases applicable to section 29A of the Income Tax Act, 58 of 1962, at the end of the reporting period. Assupol Life's current tax position is taken into account, and taxation rates, consistent with that position and the likely future changes in that position, are allowed for. In particular, the Individual Policyholder Fund is in a tax loss position and is expected to stay in that position for the foreseeable future.

The above-mentioned assumptions have been taken into account in the valuation together with inclusion of compulsory margins as prescribed by SAP104. The compulsory margins used during the year under review are as follows:

Assumption	2019 margin adjustment	2018 margin adjustment
Investment return	0.25% increase/decrease *	0.25% increase/decrease *
Mortality	7.5% increase	7.5% increase
Expenses	10.0% increase	10.0% increase
Expense inflation	10.0% increase	10.0% increase
Lapses (where relevant)	25.0% increase/decrease *	25.0% increase/decrease *
Surrenders (where relevant)	10.0% increase/decrease *	10.0% increase/decrease *

* Depending on which change increases the liability.

4.2 Assumptions for undiscounted liabilities

IBNR provisions are calculated for the annually renewable group business. These are either based on a percentage of the premiums payable or Bornhuetter-Ferguson run-off triangles. These have been established at a level which is appropriate based on historic trends.

The Bornhuetter-Ferguson method of estimating outstanding claims combines an estimated loss ratio method with a projection method. Here, 'projection method' refers to methods such as the basic chain ladder method which are based on past claim amounts and/or numbers.

The Bornhuetter-Ferguson method therefore improves on the sole use of a loss ratio method by taking account of the information provided by the latest development pattern of the claims, whilst the addition of the loss ratio to a projection method serves to add some stability against distortions in the development pattern.

4.3 Assumptions for investment contracts

The account balance as a minimum is held in all instances and this is fully matched by the underlying assets.

4. ASSUMPTIONS AND ESTIMATES RELATING TO POLICYHOLDER (ASSETS) / LIABILITIES (continued)**4.4 Effect of changes in assumptions**

Modelling changes and data refinements were made to the opening reserves rather than the closing reserves to improve the comparability of the expected and actual cash flows in the analysis of surplus (AOS). The main adjustments were made in respect of the following:

- Modelling and data changes deriving from a modelling review on Progress4Sure and Progress4Life products.

The following changes were made to the actuarial valuation basis when compared to last year's basis:

- The stochastic reserve was updated in line with market experience.
- The per policy renewal expense assumption was decreased by R19.10 (2018: R21.47) per annum.
- The withdrawal and not-taken-up assumptions were updated in accordance to the most recent withdrawal experience investigation.
- The investment return assumption on the unit reserves decreased from 8.9% p.a. to 8.1% p.a., the investment return assumption on the non-unit reserves decreased from 8.5% p.a. to 7.7% p.a. and the expense inflation assumption decreased from 6.05% to 5.42%.
- The real return gap decreased from 2.50% to 2.28%.
- The take-up assumptions for voluntary premium and benefit increases have increased from 50% to 60% for Direct Marketing and from 85% to 90% for savings business.
- The reserving methodology from the permanent health insurance benefits was changed from an IBNR to a discounted cash flow reserving. Furthermore, the data margins in the remaining IBNR's were reduced in line with the improvement of the adequacy of the claims data.
- The reserving methodology for Cornerstone business was changed from an expense assumption based on a percentage of future premium to a per policy renewal expense assumption, and from a mortality assumption based on a loss ratio of premium to a probability of death using age and gender as risk factors.

The following table quantifies the impact of changes on the net profit after tax, i.e. increase / (decrease) in profit, made in the assumptions from the previous periods.

	CONSOLIDATED	
	2019	2018
	R'000	R'000
Modelling changes and data refinements on opening liabilities	8 629	91 974
Change in APN110 reserve	5 688	722
Change in renewal expense assumptions	191 328	172 503
Change in withdrawal rate and not-taken-up assumptions	(33 903)	(3 627)
Change in mortality assumptions	-	(40 380)
Change in investment return assumptions and Inflation assumptions	139 079	(42 017)
Change in real return gap	(64 394)	11 389
Voluntary premium and benefit increases	(8)	-
Group business	(4 255)	94
Cornerstone reserving	1 225	-
Total change in basis	243 389	190 658

4. ASSUMPTIONS AND ESTIMATES RELATING TO POLICYHOLDER (ASSETS) / LIABILITIES (continued)

4.5 Sensitivity analysis

The sensitivity of the insurance liabilities to the main assumptions was tested by calculating the effect of certain assumptions not being met. In each case below, one assumption changes whilst all the other assumptions remain constant. The size of the sensitivities was chosen to illustrate the impacts for changes in key variables that would have a significant impact on the insurance liabilities, as well as to facilitate comparison with the sensitivities disclosed by other major insurers.

	2019			2018		
	Total (asset) / liability	Change	% change	Total (asset) / liability	Change	% change
	R'000	R'000		R'000	R'000	
Main basis	(2 997 331)			(2 428 496)		
Renewal expenses +10%	(2 633 560)	363 771	12%	(2 125 222)	303 274	12%
Inflation +1%	(2 648 952)	348 379	12%	(2 185 802)	242 694	10%
Investment return -1%	(2 829 671)	167 660	6%	(2 329 912)	98 584	4%
Withdrawals +10%	(2 964 317)	33 014	1%	(2 399 233)	29 263	1%
Risk experience +10%	(2 344 572)	652 759	22%	(2 020 511)	407 985	17%

The above figures combine discounted and undiscounted liabilities. The latter is not sensitive to the assumptions as they are valued retrospectively.

The sensitivities for the total liabilities are separately disclosed for the insurance contracts and reinsurance assets below.

30 June 2019	Insurance contracts	Change	Reinsurance assets	Change
	R'000	R'000	R'000	R'000
Main basis	(2 994 440)		(2 891)	
Renewal expenses +10%	(2 630 669)	363 771	(2 891)	-
Inflation +1%	(2 646 061)	348 379	(2 891)	-
Investment return -1%	(2 825 789)	168 651	(3 883)	(992)
Withdrawals +10%	(2 961 230)	33 210	(3 087)	(196)
Risk experience +10%	(2 213 070)	781 370	(131 502)	(128 611)

30 June 2018	Insurance contracts	Change	Reinsurance assets	Change
	R'000	R'000	R'000	R'000
Main basis	(2 424 981)		(3 515)	
Renewal expenses +10%	(2 121 707)	303 274	(3 515)	-
Inflation +1%	(2 182 287)	242 694	(3 515)	-
Investment return -1%	(2 325 482)	99 499	(4 431)	(916)
Withdrawals +10%	(2 395 557)	29 424	(3 676)	(161)
Risk experience +10%	(1 911 386)	513 595	(109 125)	(105 610)

5. RISK MANAGEMENT

The Assupol Group has adopted a risk management framework that is based on the ISO31000 standard. The risk management framework, together with associated policies required in terms of the Governance and Operational Standards for Insurers (GOIs) and compliance with the Solvency Assessment and Management (SAM) framework of the Prudential Authority of South Africa, embody the formal risk management efforts of the Group. Management is continually reviewing and improving on the formal risk management efforts in order to further enhance the sustainability of the Group's business.

As a custodian of policyholder funds, a key risk for the Group is that the proceeds from its assets will not be sufficient to fund the obligations arising from its insurance and investment contracts. The risk arises from the presence of financial or insurance risk in the contracts issued by the Group.

5.1 Governance and Operational Standards for Insurers

The Board implemented the requirements of the standards of which the salient features are:

- The composition and governance of the Board of Directors;
- The appointment of the heads of the control functions;
- The establishment of the control functions namely risk management, compliance, internal audit and actuarial; and
- The key risk management policies, namely:
 - Fit and Proper policy
 - Remuneration policy
 - Investment policy (also incorporating asset-liability management, liquidity risk management and concentration risk as it relates to investment management)
 - Underwriting Risk Management policy
 - Reinsurance policy
 - Concentration Risk Management policy (excluding investment concentration risk)
 - Operational Risk Management policy
 - Risk Management policy
 - Insurance Fraud Risk Management policy
 - ORSA policy
 - Outsourcing policy
 - Business Continuity Management policy
 - Capital Management policy; and
 - Information Technology policy.

5.2 Responsibility for risk management

The Board of Directors acknowledges its responsibility for establishing and communicating appropriate risk and control policies and ensuring that adequate risk management processes are in place. The Group has a number of committees which deal with the various aspects relating to policies for accepting risks, including selection and approval of risks to be insured, use of limits and avoiding undue concentrations of risk, underwriting strategies to ensure the appropriate risk classification and premium levels as detailed below:

- The Audit Committee assists the Board of Directors in its evaluation of the adequacy, effectiveness and efficiency of the internal control systems, accounting practices, information systems, auditing and actuarial valuation processes applied by the long-term insurer in the day-to-day management of the Group. It reviews the accounting policies and financial statements of the Group. It also oversees the internal audit and external audit processes, and facilitates and promotes communication between the external auditors, internal auditors, head of actuarial control function and executive management. The committee is chaired by an independent non-executive director, comprises three non-executive directors (who were all independent at the year-end) and meets on a quarterly basis.
- The Risk Committee is tasked with ensuring that a proper risk management framework and appropriate reporting channels are implemented for the entire Assupol Group. The committee is chaired by an independent non-executive director, comprises three non-executive directors and one executive director, and meets on a quarterly basis.
- The mandate of the Nomination Committee includes considering and recommending to the Board nominees to serve on the Board, considering and recommending to the Board the removal of any non-executive Director, and considering and recommending to the Board new nominees to fill vacancies as and when they arise. The committee is chaired by a non-executive director. It comprises three non-executive directors and meets at least once a year.
- The Remuneration Committee is tasked to consider and determine the remuneration policy of all employees of the Assupol Group. The Group Remuneration Committee is chaired by an independent non-executive director. The committee comprises three non-executive directors and meets on a quarterly basis.

5 RISK MANAGEMENT (continued)5.2 Responsibility for risk management (continued)

- A Social and Ethics Committee was established to address the statutory duties as prescribed in regulation 43(5) of the Companies Act, 71 of 2008. The committee is chaired by an independent non-executive director. It comprises one executive director and two non-executive directors. The committee meets on a quarterly basis.
- The Investment Committee oversees the asset management process of the Assupol Group according to guidelines and objectives set by the Investment Policy document and in conjunction with the Asset Liability Matching analysis as compiled by the statutory actuary. The committee is chaired by an independent non-executive director, comprises four non-executive directors and three executive directors. The committee meets on a quarterly basis.
- The Actuarial Committee supports the Board of Directors with its obligations under Solvency Assessment and Management (SAM), and its reporting responsibilities under IFRS. The committee also evaluates, considers and where necessary makes recommendations to the Board and management regarding actuarial assumptions and projections. The committee consists of two executive and two non-executive directors and is chaired by an independent non-executive director. The committee meets at least quarterly.
- The Growth and Innovation Committee's role is to support executive management in facilitating the delivery of proposals within an acceptable timeframe, in accordance with the Board approved strategy and business plan. The chairman of the committee is an independent non-executive director. It comprises five non-executive directors and three executive directors. The committee meets on a quarterly basis.
- The Group Executive Committee (Exco) monitors the operations of all companies in the Assupol Group and the implementation of the strategic vision of the Board of Directors. The committee comprises of the executive directors and the prescribed officers of Assupol Holdings and meets on a monthly basis. The committee is supported by Assupol Life's Executive Committee.
- The Assupol Life Executive Committee performs all executive functions delegated to it by the Board of Directors and oversees the proper administration and reporting of business performance and overall sales and industry risks. The committee is chaired by the Assupol Life Chief Executive Officer and meets on a monthly basis.
- Risk management is implemented at an operational level through a number of committees that meet on an ad-hoc basis, including amongst others the Assupol Life Management Committee, Sales Committee, Credit Control Committee, Claims Committee, Procurement Committee, Group Finance Committee, Risk Steering Committee, Information Technology Steering Committee, Taxation Committee and Operational Committee.

5 RISK MANAGEMENT (continued)**5.3 Insurance risk**

Insurance risk is the risk that benefit payments and related expenses exceed those allowed for within Assupol Life's insurance liabilities. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year. The timing is specifically influenced by future mortality, morbidity, and withdrawal rates about which assumptions are made in order to place a value on the liabilities. Deviations from assumptions will result in actual cash flows different from those projected in liability calculations. As such, each assumption represents a source of uncertainty.

The larger the portfolio of uncorrelated insurance risks, the smaller the relative variability about the expected outcome will be. A larger population of insured risks leads to more diversified insurance risks, and in turn, reduces the deviations from the base risk assumptions.

The following table analyses the contracts offered by the Group and provides an indication of where the concentration of the risk lies.

Contracts offered by the Group	Contract type	2019 % of premium	2018 % of premium
Individual insurance business	Insurance	81.6%	68.5%
Group risk business	Insurance	18.4%	31.5%
Total		100.0%	100.0%

The Sales Committee, comprising the Group Executive: Sales and the regional managers in the Group, meets on a quarterly basis to discuss and monitor market, sales and product related matters. Geographical and industry statistics of policyholders are analysed and decisions are taken accordingly to ensure pro-active interventions.

The actuarial valuations department performs the following tasks for Assupol Life of which the outcome is reported at the relevant board committees and management committees.

- Monthly monitoring of solvency position;
- Quarterly experience monitoring (such as expense, mortality, withdrawal and economic experience against assumptions); and
- Quarterly analysis of surplus monitoring.

The head of actuarial control function is tasked with the following (in addition to the required annual statutory responsibilities):

- Quarterly parallel run confirming the statutory and financial reporting valuations produced by the in-house valuation division;
- A biennial asset liability modelling exercise as described in note 5.4.2.c; and
- Premium rates certification as described in note 5.3.1.

The Actuarial Committee supports the head of actuarial control function in his responsibility for the oversight of insurance risk.

5.3.1 Mortality and morbidity risk

Underwriting processes are in place to manage exposure to death and disability risks. The most significant measures are:

- Premium rates are required to be certified by the head of actuarial control function as being financially sound.
- Annual experience investigations are conducted, and are supplemented by quarterly reviews, to set premium rates.
- Reinsurance arrangements are negotiated in order to limit the risk on any individual contract.
- All new premium rates are approved and authorised by the head of actuarial control function prior to being issued.
- New products are also reviewed and approved by the Actuarial and the Risk Committee.

Factors affecting mortality and morbidity risks:

- The most significant factors that could substantially increase the frequency of claims, resulting in more or earlier claims (mortality and morbidity risk), are:
 - > epidemics (such as AIDS or extensive drug-resistant tuberculosis - XDR TB);
 - > widespread changes in lifestyle (smoking, exercise, eating, sexual practices);
 - > the income bracket (the lower-income market is more susceptible to extreme weather conditions, and has less access to quality medical care); and
 - > the sector of employment (such as SAPS members that are exposed to the violent element of society).
- Adverse economic conditions can potentially affect the quantity of morbidity claims where benefits are determined in terms of the ability to perform an occupation.

5. RISK MANAGEMENT (continued)**5.3.1 Mortality and morbidity risk (continued)**

The nature of risks varies depending on the class of business. The material classes of business most affected by these risks are discussed below:

Individual insurance business

- These are contracts providing benefits on death, disability, critical illness and accident that are sold directly to individuals.
- How risks are managed:
 - > Risk premiums on most conventional and market-related contracts may be adjusted within the terms and conditions of the contracts.
 - > Premium rates are differentiated on the basis of age, gender, socio-economic rating, smoker status level, and the results of underwriting investigations. This is done to reduce the cross-subsidisation of risks and the possibility of anti-selection. Experience investigations have shown these are reliable indicators of the risk exposure.
 - > All applications are subject to underwriting rules. Applications for risk cover above certain limits are reviewed by experienced underwriters and evaluated against established standards.
 - > Compulsory testing for HIV is carried out in all cases where the applications for risk cover exceed limits specified for specific products. Where HIV tests are not required, this is fully reflected in the pricing and experience is closely monitored.
 - > Underwriting is done to identify abnormal risks and, if necessary, take appropriate actions such as additional premium loadings, exclusions or alteration of benefit terms.
 - > An additional provision is held in respect of the potential deterioration of mortality experience as a result of AIDS risks using the ASSA (Actuarial Society of South Africa) AIDS model.
 - > Reinsurance arrangements are used for specific products where the single risk for a policy is high or where business does not have sufficient experience as yet. The arrangements for those products are to limit the risk of any single policy. A portion of every sum assured is reinsured up to the retention level. Sums assured above the retention level are reinsured on a renewable risk premium basis for Assupol Life. Facultative arrangements are used for sub-standard lives and large sums assured. No catastrophe cover has been purchased, as the quota share reinsurance is deemed sufficient currently. Reinsurance optimisation reviews are also performed.
 - > Frequent experience investigations are carried out to monitor the experience against actuarial assumptions. Recommendations on corrective actions are discussed at the Actuarial Committee.

The table below shows the concentration of individual insurance contract benefits by sum assured at risk.

<i>Consolidated</i>	Sum assured at risk		Before reinsurance		After reinsurance *	
	R'000		R'000	%	R'000	%
30 June 2019						
	0 -	20 000	29 744 222	34.60%	30 241 621	52.61%
	20 000 -	50 000	16 310 971	18.97%	18 465 290	32.12%
	50 000 -	100 000	4 342 060	5.05%	5 765 021	10.03%
	100 000 -	200 000	7 865 739	9.15%	3 007 862	5.24%
	200 000 -	500 000	10 560 686	12.28%	-	0.00%
	>	500 000	17 146 092	19.95%	-	0.00%
Total			85 969 770	100.00%	57 479 794	100.00%
30 June 2018						
	0 -	20 000	25 346 606	34.18%	25 630 207	51.41%
	20 000 -	50 000	14 836 951	20.01%	16 481 388	33.06%
	50 000 -	100 000	4 113 419	5.55%	4 828 576	9.69%
	100 000 -	200 000	7 354 868	9.92%	2 565 917	5.14%
	200 000 -	500 000	9 427 083	12.71%	346 517	0.70%
	>	500 000	13 070 227	17.63%	-	0.00%
Total			74 149 154	100.00%	49 852 605	100.00%

* The sum assured at risk for each individual policy reduces when the policy is reinsured. The analysis of the "Before reinsurance" sum insured at risk and the "After reinsurance" sum insured at risk have been individually assessed as the sum insured at risk is reduced when the policy is reinsured, this will result in a movement between categories from a higher "Before reinsurance" category to a lower "After reinsurance" category.

5. RISK MANAGEMENT (continued)

5.3.1 Mortality and morbidity risk (continued)

Group scheme and grouped individual insurance business

- These are contracts that provide life and/or accidental death cover to members of a group of which all members have a specific commonality (e.g. clients or employees of a specific company).
- Factors specifically affecting this class:
 - > Contracts are similar to individual insurance contracts but there is a greater risk of correlation between claims on group schemes because the assured lives live in the same geographical location or work in the same industry.
 - > Underwriting processes may be streamlined, with cover supplied up to certain limits without underwriting.
- How risks are managed:
 - > Group rates are calculated (where reliably available) based on the rating class of the group, the historical experience of the group and, if the group is only located in a single province, then the province is evaluated as well. The rates therefore on average reflect the actual mortality experience, hence reducing mortality risk. There is residual mortality risk resulting from delays in identifying worsening experience and adjusting charges as well as marketing pressures.
 - > Rates are reviewed monthly, based on scheme experience, and can be amended with a one-month notice period.
 - > Rate reviews take into account known trends such as experience due to AIDS.
 - > Regular profitability assessments are performed by management.

The table below shows the concentration of group schemes by scheme size. Group schemes were taken under review or terminated during the past two financial years as a risk reducing measure.

<i>Consolidated</i> Scheme size (based on number of lives covered)	2019		2018	
	Number	%	Number	%
0 - 1 000	161	80.50%	192	79.01%
1 000 - 5 000	14	7.00%	19	7.82%
> 5 000	25	12.50%	32	13.17%
Total	200	100.00%	243	100.00%

5.3.2 Business retention risk

- Policyholders generally have a right to pay reduced or no future premiums, or to terminate the contract completely before expiry of the contract term.
- Factors affecting these risks:
 - > Economic conditions and/or consumer trends can strongly influence business retention rates.
 - > A lack of affordability testing (economic power and personal financial planning skill of the policyholders) by the intermediaries, especially within the lower-income market, can adversely affect business retention levels.
 - > Expenses incurred in the acquisition of contracts are expected to be recouped over the term of the policy. These may not be recovered where the premiums are reduced or the contract terminated early.
 - > Terminations can have the effect of increasing insurance risk - e.g. policyholders whose health has deteriorated are less likely on average to terminate a contract providing death benefits.
 - > The liability held for some contracts may be less than the termination benefit payable. The net group surplus will reduce if these contracts terminate early.
- How risks are managed:
 - > Where withdrawal benefits are payable on termination, these can be adjusted to recover certain expenses. However, market and legislative forces restrict the extent to which this may be done.
 - > The business retention rates of all intermediaries are monitored monthly on an individual basis, and corrective action can be suggested and implemented, e.g. the preference of new business sources from deduction methods with improved premium recovery rates.
 - > The various premium collection methods are being evaluated for effectiveness. New premium collection methods are investigated to diversify premium recoveries. Preference is given to reliable, regulated and secure premium deduction facilities.
 - > Commission clawback terms included in contracts with intermediaries enable the Group to mitigate some of the risk of early termination.
 - > Frequent withdrawal investigations are carried out to monitor the experience against actuarial assumptions. Recommendations and corrective actions are discussed at the Actuarial Committee.
 - > The Credit Control Committee awards new intermediary contracts only to brokers that have the required experience, qualifications and industry accreditation.

5. RISK MANAGEMENT (continued)5.4 Financial risk management5.4.1 Financial risk

Financial risk is the risk that an entity will not have adequate cash flows to meet financial obligations. The Assupol Group and the company are exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The key financial risk is that of the proceeds from the Group's financial assets being insufficient to fund the obligations arising from its insurance and investment contract liabilities. The key mitigating actions include:

- The life company within the Group matches its assets and liabilities as accurately as is practically and optimally possible. The Investment Committee reviews the asset management arrangements of the Group and monitors investment performance in terms of mandates and set benchmarks.
- An asset liability modelling exercise is performed every second year. At the quarterly meetings of the Investment Committee the actual asset allocations are monitored against strategic asset allocations for each portfolio.
- The excess assets are exposed to market fluctuations, which may reduce the value of assets supporting the capital position. This is mitigated by having clearly defined sub-portfolios within the shareholder portfolio, with an appropriate asset allocation strategy for each portfolio, so that the level of market risk is appropriate relative to the aim of the sub-portfolio.
- The main financial risks to which the Group is exposed are described below under various contract categories. Each category represents distinct financial risks. Some categories may include both insurance and investment contracts.

The table below analyses the net total policyholder liabilities between market-related and other business at the end of the reporting period.

<i>Consolidated</i>	2019 R'000	2018 R'000
Market-related business (Investment contracts (note 29))		
Individual market-related business	2 775 940	2 177 393
Other business (Insurance contracts (note 28))	(2 997 331)	(2 428 496)
Conventional individual risk business	59 350	61 634
Other individual risk business	(3 122 970)	(2 554 782)
Group risk business	62 607	55 283
Liability for embedded derivatives	3 682	9 369
Total net policyholder (assets) / liabilities	(221 391)	(251 103)

5. RISK MANAGEMENT (continued)**5.4.1 *Financial risk (continued)***

An analysis between insurance contracts and reinsurance assets of the total net policyholder liabilities as disclosed in the table above is provided below.

30 June 2019	Insurance contracts	Reinsurance assets	Total
	R'000	R'000	R'000
Market-related business (Investment contracts (note 29))			
Individual market-related business	2 775 940	-	2 775 940
Other business (Insurance contracts (note 28))	(2 994 440)	(2 891)	(2 997 331)
Conventional individual risk business	59 350	-	59 350
Other individual risk business	(3 120 079)	(2 891)	(3 122 970)
Group risk business	62 607	-	62 607
Liability for embedded derivatives	3 682	-	3 682
Total net policyholder liabilities	(218 500)	(2 891)	(221 391)
30 June 2018	Insurance contracts	Reinsurance assets	Total
	R'000	R'000	R'000
Market-related business (Investment contracts (note 29))			
Individual market-related business	2 177 393	-	2 177 393
Other business (Insurance contracts (note 28))	(2 424 981)	(3 515)	(2 428 496)
Conventional individual risk business	61 634	-	61 634
Other individual risk business	(2 551 267)	(3 515)	(2 554 782)
Group risk business	55 283	-	55 283
Liability for embedded derivatives	9 369	-	9 369
Total net policyholder liabilities	(247 588)	(3 515)	(251 103)

Market-related business

- The Assupol Group holds the assets on which unit prices are based in accordance with policy terms and conditions.
- The Group is not exposed to significant market risk on these funds, as the liability moves in line with the underlying assets.
- The Group earns management fees as a percentage of the fair value of the asset portfolio. These fees are volatile to the extent that these assets are subject to interest rate and market price risk, but are always positive.
- The unit-linked investment portfolios are rebalanced on a monthly basis.

Conventional business

- Bonuses are declared taking into account a number of factors, including actual investment returns, previous bonus rates declared and policyholders' reasonable expectations. Bonuses are generally designated as reversionary bonuses, which can never be removed or reduced, or terminal bonuses, which can be removed or reduced.

5. RISK MANAGEMENT (continued)**5.4.1.a Investment guarantees**

- Clients of Assupol Life can choose into which type of investment fund their premiums should be deposited. One of these investment funds is the 'guaranteed fund' where the capital invested (but not the growth on the fund) is guaranteed to the client. These guarantees are spread amongst the various products that offer this investment fund. The Investment Committee is charged with monitoring the 'guaranteed fund'.
- Liabilities arising from these guarantees are valued in accordance with valuation techniques described in APN110. These liabilities are sensitive to movements in interest rates and equity prices and their volatilities. The exposure is hedged through the implementation of structured products, employing derivatives to ensure that the capital is protected, while also allowing for some participation in positive market returns. These derivatives are concluded with highly rated banks. The derivatives expose the Group to credit risk (For further information refer note 5.4.2.b). The exposure is not deemed to be material in the context of Assupol Life's results.
- Assupol Life also offers single premium investment products. These products have a term of 5 years, offering either a guaranteed maturity value or a guaranteed monthly income. In terms of these contracts, investment contract holders are not entitled to receive more than the guaranteed value as determined at inception. The risk is managed by investing in assets that will provide the guaranteed cash flows of the policy.
- Valuation of the liabilities of these single premium investment products is based on the discounted guaranteed cash flows, as determined at the inception of the contract, using the valuation interest rate.

5.4.1.b Investments in structured and other entitiesStructured entities

The Group has assessed its interests in collective investment schemes and other entities. Judgement is required in the assessment of whether the Group has control or significant influence in terms of the variability of returns from the Group's investment in the funds.

Based on the assessment of control or significant influence on the funds in which Assupol Life has an interest in, none of these schemes have met the definition of either a subsidiary, associate, or joint venture and therefore these funds were not consolidated in the Group's results.

The instruments held in structured entities included in the table below were selected by the Investment Committee and satisfy the requirements from an Asset Liability Matching perspective. These instruments are included in financial assets at fair value through profit or loss in the statement of financial position. For further information refer to note 21.

The table below provides a summary of the relevant instruments held by Assupol Life, the strategy for obtaining these instruments, as well as the reason for not consolidating.

Instrument type and strategy	Number of instruments	Total market value of instruments R'000	Market value as % of Assupol's investment portfolio	Market capitalisation of all issuers *	Investment value as % of issuer market capitalisation *	Control or significant influence
				R'bn		
30 June 2019						
Money Market Instruments						
Money Market Long	6	731 649	15.38%	78 330	0.93%	No
Debt instruments						
Debt Long	3	1 293 058	27.19%	4 400	29.39%	No
Equity instruments						
Equity Long	3	309 715	6.51%	165 980	0.19%	No

* All inclusive price

5. RISK MANAGEMENT (continued)

5.4.1.b Investments in structured and other entities (continued)

Instrument type and strategy	Number of instruments	Total market value of instruments R'000	Market value as % of Assupol's investment portfolio	Market capitalisation of all issuers * R'bn	Investment value as % of issuer market capitalisation *	Control or significant influence
30 June 2018						
Money Market Instruments						
Money Market Long	6	647 125	16.20%	69 381	0.93%	No
Debt instruments						
Debt Long	3	1 090 548	27.29%	3 136	34.78%	No
Equity instruments						
Equity Long	2	284 307	7.12%	73 891	0.38%	No

* All inclusive price

Other entities

The Group has assessed control over the three trusts that were created during the demutualisation of Assupol Life.

It was concluded that the Group has no control or significant influence over the Assupol Members' Trust. The Assupol Members' Trust is a bewind trust where the independent trustees manage the funds of the beneficiaries for their benefit in terms of the demutualisation scheme (i.e. qualifying policyholders of Assupol Life prior to demutualisation). The trustees are approved by the financial services regulator in South Africa and the Group has no exposure or rights to variable returns from the Trust.

It was also concluded that the Group has no control or significant influence over the Assupol Community Trust. As a result of the demutualisation scheme and the 'public benefit organisation' status of the Trust, restrictions were placed on the Trust by the financial services regulator in South Africa and the South African Revenue Services in aspects such as changes to the trust deed, appointment of trustees and distributions of trust funds. The Group has no exposure or right to variable returns from the Trust.

In respect of the Assupol Share Incentive Trust the Group has control over the shares held by the Share Incentive Trust and the Trust was consolidated into the financial results of the Group. For more information refer note 26.

5. RISK MANAGEMENT (continued)

5.4.2 *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk, that can affect the values of the Group's financial assets and liabilities, as well as the Group's insurance contract assets and liabilities. A focus point of the Group's overall risk management programme is on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. If deemed necessary, the Group uses derivative financial instruments to hedge certain risk exposures. There are currently no derivative contracts entered into for hedging purposes.

An analysis of the components affected by financial risk factors is depicted below:

	Market risk	Credit risk	Liquidity risk	2019 R'000	2018 R'000
At fair value through profit or loss					
Equity securities	x			1 264 833	1 205 706
Debt securities	x	x	x	1 340 178	1 145 601
Deposits and money market securities		x	x	964 732	883 773
At amortised cost					
Deposits and money market securities	x	x	x	1 157 777	756 524
Insurance and other receivables	x	x		124 140	132 197
Cash and cash equivalents		x		424 812	346 698
Policyholder assets: Insurance contracts	x *	- **	x	2 994 440	2 424 981
Policyholder assets: Reinsurance assets	x *		x	2 891	3 515
Policyholder liabilities	x *		x	2 775 940	2 177 393
Other liabilities ***			x	318 996	189 962
Insurance and other payables ***			x	328 317	318 893

* The assumptions used to determine the value of the policyholder assets and liabilities are affected by the historical market experience. For a market risk sensitivity analysis of these assumptions, refer note 5.4.2.a (v).

** No residual credit risk exists after applying best estimate lapse and withdrawal assumptions.

*** Other liabilities were included in insurance and other payables in the 2018 financial year.

Concentration risk is the risk of loss associated with inadequately diversified asset portfolios. To manage this risk, the prudential regulations with reference to issuer limits, as stipulated in Regulation 28 of the Pension Fund Act, 24 of 1956, was adopted as part of all the segregated mandates. In addition, the portfolios in total also need to be compliant with Regulation 28. The compliance with Regulation 28 is monitored on a regular basis by management. Breaches are reported as they occur and the required action is taken. The Investment Committee monitors the compliance on a quarterly basis. As a result the Group's exposure to any single group of companies does not exceed 8.1% (2018: 4.3%).

5. RISK MANAGEMENT (continued)**5.4.2.a Market risk**

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in foreign currency exchange rates, equity prices and interest rates.

(i) Foreign exchange risk

Foreign exchange risk is the risk that the Rand value of a financial instrument, as in the case of investment assets, will fluctuate due to changes in foreign exchange rates.

The Group has unit trusts which have offshore components that are all denominated in US dollars, and are listed as 'global unit trusts' in note 21. These investments were made for the purpose of obtaining a favourable international exposure to foreign currency and to diversify investment exposure to international markets. The assets are held in the linked policyholder funds in order to obtain the relevant exposure for policyholders; thus no foreign currency exposure to shareholders. The currency exposure at year-end is as follows:

	2019 R'000	2018 R'000
Global unit trusts	309 715	284 307
Foreign currency amount (US\$)	21 968	20 703
Insurance policy - Global bonds	44 700	32 810
Foreign currency amount (US\$)	3 171	2 389
Closing exchange rate at year-end	14.0984	13.7326
Average exchange rate during the year	14.1597	12.8553

Overall, foreign exchange risk is considered to be within acceptable risk levels and managed effectively, as it represents only 3.8% (2018: 4.2%) of total financial assets.

(ii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market place.

The Assupol Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated Statement of Financial Position at 'fair value through profit or loss'. The Group is not directly exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Equity securities are reflected at fair values, which are susceptible to market fluctuations. The stock selection and investment analysis process is supported by the proper execution of an investment management process, which is delegated to the Investment Committee.

(iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in interest rates, which may result in a mismatch between assets and liabilities.

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with floating rate financial assets and financial liabilities, and on the fair value of other investments. Fair values of fixed interest rate investments included in the Group's investment portfolios are subject to changes in prevailing market interest rates. For more information on the maturity profiles of the financial assets, refer note 21 to the financial statements.

5. RISK MANAGEMENT (continued)

5.4.2.a Market risk (continued)

Investments that will be directly impacted by changes in market interest rates are analysed below. Accounts receivable where settlement is expected within 90 days and interest-free loans are not included in the analysis since the effect of interest rate risk on these balances is not considered material, given the short-term duration of the underlying cash flows.

The Group issues guaranteed single premium investment products. These products have a term of five years, offering either a guaranteed maturity value or a guaranteed monthly income. In terms of these contracts investment contract holders are not entitled to receive more than the guaranteed value determined at inception. Surrender charges apply should a policyholder terminate the contract before the maturity date. The risk is managed by investing in assets that provide the guaranteed cash flows of the policy.

Consolidated	Carrying value R'000	Exposed to:			Effective interest rate at year-end %
		Cash flow interest rate risk R'000	Fair value interest rate risk R'000	Both cash flow interest rate and fair value risk R'000	
30 June 2019					
At fair value through profit or loss					
Debt securities					
Corporate bonds *	2 420	-	2 420	-	N/a
Insurance policy - Global bonds **	44 700	-	44 700	-	N/a
Deposits and money market securities	964 732	2 553	230 528	731 651	8.03%
Unit trusts	1 293 058	-	-	1 293 058	8.37%
At amortised cost					
Deposits and money market securities ***	1 157 777	-	-	1 157 777	6.93% - 10.39%
Receivables (interest-bearing)	105 329	94 125	11 204	-	12.42%
Receivables (provision for impairment)					
Premiums receivable	(57 444)	-	-	-	0.00%
Sundry insurance receivables	(78 099)	-	-	-	0.00%
Receivables (non interest-bearing)	154 354	-	-	-	0.00%
Cash and cash equivalents	424 812	424 812	-	-	5.74%
Policyholder liability - Investment contracts	(1 209 987)	-	-	(1 209 987)	6.93% - 10.39%
Total	2 801 652	521 490	288 852	1 972 498	
30 June 2018					
At fair value through profit or loss					
Debt securities					
Corporate bonds *	22 243	21 996	247	-	7.67%
Insurance policy - Global bonds **	32 810	-	32 810	-	N/a
Deposits and money market securities	883 773	6 296	230 350	647 127	8.03%
Unit trusts	1 090 548	-	-	1 090 548	8.12%
At amortised cost					
Deposits and money market securities ***	756 524	-	-	756 524	8.56% - 10.39%
Receivables (interest-bearing)	81 840	69 436	12 404	-	12.18%
Receivables (provision for impairment)					
Premiums receivable	(42 010)	-	-	-	0.00%
Sundry insurance receivables	(59 957)	-	-	-	0.00%
Receivables (non interest-bearing)	152 324	-	-	-	0.00%
Cash and cash equivalents	346 698	346 698	-	-	5.43%
Policyholder liability - Investment contracts	(727 797)	-	-	(727 797)	8.56% - 10.39%
Total	2 536 996	444 426	275 811	1 766 402	

* The corporate bonds consist of the bond options used within the guaranteed portfolio therefore no effective interest rate. The previous financial year included bonds that had an effective rate.

** Global bond exposure is obtained through the insurance policy and not by holding the underlying instruments. The insurance policy can be terminated with 30 days' notice.

*** Deposits and money markets securities carried at amortised cost are valued individually on a contract basis and not a portfolio basis.

5. RISK MANAGEMENT (continued)*5.4.2.a Market risk (continued)**(iv) Hedging*

There are currently no derivative contracts entered into by the Group for hedging purposes.

(v) Market risk sensitivity analysis

The table below summarises the impact of each possible change to the risk variables outlined in the risk management section of this report to the Group's profit or loss (after corporate taxation) and to the total policyholder liabilities. The changes are affecting the financial assets and liabilities, as well as insurance assets and liabilities. This is a management estimate (based on market information available, understanding of the business and the consequent impact of possible changes) and not an earnings forecast.

Positive numbers in the table below represent an increase to policyholders' liabilities and profit after taxation respectively, and correspondingly, negative numbers indicate a decrease. The size of the changes was chosen to facilitate comparison with the sensitivities disclosed by other major insurers. In each case below, one assumption changes whilst all the other assumptions remain constant. As the economic assumptions relate to both policyholder liabilities under insurance and investment contracts, there is no added benefit in splitting the disclosures.

The non-market long-term assumptions address possible changes as a result of insurance risks identified and described in notes 4.1 and 5.3. The economic assumptions address possible changes as a result of market risks identified and described in note 5.4.2.a.

<i>Consolidated</i>	Change in variable	Impact to total policyholders' assets / liabilities		Impact on ordinary shareholders' equity and attributable profit after tax	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
Assumption description	%				
Non-market long-term assumptions					
Mortality and morbidity	+10%	520 688	407 581	(374 895)	(293 458)
	-10%	(536 987)	(419 234)	386 631	301 848
Withdrawals	+10%	27 486	27 103	(19 790)	(19 514)
	-10%	(13 318)	(16 699)	9 589	12 024
Renewal expense per policy	+10%	367 424	309 586	(264 545)	(222 902)
	-10%	(366 626)	(308 297)	263 970	221 974
Economic assumptions					
Interest rate	+1%	(113 517)	(64 672)	74 570	39 402
	-1%	168 320	102 543	(113 482)	(66 123)
Inflation	+1%	349 744	246 483	(251 254)	(182 241)
	-1%	(295 937)	(209 667)	212 513	155 733
Equity prices	+10%	96 935	92 622	(65 216)	(62 110)
	-10%	(96 912)	(92 594)	65 199	64 077

5. RISK MANAGEMENT (continued)

(v) Market risk sensitivity analysis (continued)

Possible changes on the 2019 policyholders' assets / liabilities are separately disclosed for insurance contracts and reinsurance assets below.

30 June 2019

Assumption description	Change in variable	Impact to policyholders' assets / liabilities		Impact on ordinary shareholders' equity and attributable profit after tax	
		Insurance contracts	Reinsurance assets	Insurance contracts	Reinsurance assets
		R'000	R'000	R'000	R'000
Non-market long-term assumptions					
Mortality and morbidity	+10%	649 299	(128 611)	(467 495)	92 600
	-10%	(668 464)	131 477	481 294	(94 664)
Withdrawals	+10%	27 681	(195)	(19 930)	141
	-10%	(13 529)	211	9 741	(152)
Renewal expense per policy	+10%	367 424	-	(264 545)	-
	-10%	(366 626)	-	263 970	-
Economic assumptions					
Interest rate	+1%	(113 888)	831	82 000	(598)
	-1%	168 816	(991)	(121 547)	714
Inflation	+1%	349 744	-	(251 816)	-
	-1%	(295 937)	-	213 074	-
Equity prices	+10%	96 512	8	(69 489)	(6)
	-10%	(96 489)	(8)	69 472	6

30 June 2018

Assumption description	Change in variable	Impact to policyholders' assets / liabilities		Impact on ordinary shareholders' equity and attributable profit after tax	
		Insurance contracts	Reinsurance assets	Insurance contracts	Reinsurance assets
		R'000	R'000	R'000	R'000
Non-market long-term assumptions					
Mortality and morbidity	+10%	513 191	(105 610)	(369 498)	76 039
	-10%	(527 037)	107 803	379 467	(77 618)
Withdrawals	+10%	27 264	(161)	(19 630)	116
	-10%	(16 894)	195	12 164	(140)
Renewal expense per policy	+10%	309 586	-	(222 902)	-
	-10%	(308 297)	-	221 974	-
Economic assumptions					
Interest rate	+1%	(65 002)	790	46 802	(569)
	-1%	102 964	(916)	(74 134)	659
Inflation	+1%	246 483	(0)	(177 468)	0
	-1%	(209 667)	(0)	150 960	0
Equity prices	+10%	92 196	11	(66 381)	(8)
	-10%	(92 167)	(12)	66 360	8

5. RISK MANAGEMENT (continued)

5.4.2.b Credit risk

Credit risk is the risk that a counterparty will fail to discharge an obligation on an asset held and cause the Group to incur a financial loss.

Balances where the Group has exposure to credit risk include all financial assets (excluding equity securities).

Fair values of investments may be affected by the creditworthiness of the issuer of securities. The investment policy formally defines that the exposure to any institution in which the Group has placed deposits, or to which it has credit risk exposure, is limited to the provisions of the Insurance Act, 18 of 2017. Provisions of the Act have the effect of limiting exposure to individual issuers due to the inadmissibility of assets for regulatory purposes if specified limits are breached. The investment mandates include provisions to limit the exposure to a single issuer. Bonds and cash exposure are diversified through this process.

Amounts receivable in terms of long-term insurance business are limited to and secured by the underlying value of the unpaid policy benefits in terms of the policy contract.

The Group is exposed to credit risk in any reinsurance assets held. If a reinsurer fails to pay a claim, the Group remains liable for the payment to the policyholder. Reinsurance is placed with reputable international companies. The credit rating of the reinsurer is assessed by Assupol Life on an annual basis and on a change in the status of the reinsurer. The credit rating of the current reinsurers is ranging between AA- and A- as per the external rating agency, S&P.

No significant credit risk exists with policy loans as the policy will lapse should the loan exceed the value of the contract.

(i) Credit risk on investments

The Investment Committee is charged with managing credit risk relating to investments. An investment policy has been compiled to describe the investment process and mandates given to the investment managers.

These mandates are given taking the following requirements into consideration:

- Limits in each asset class
 - > The percentage of assets invested in an asset class is fixed and will be determined by the Investment Committee and the investment mandate agreed upon.
- Percentage limits in a single holding
 - > Investment managers mandates are issued in accordance with limitations set by the Insurance Act, 18 of 2017, and regulation 28 of the Pension Fund Act, 24 of 1956.
- Quality of holdings
 - > Investment managers are only allowed to invest in listed shares, including listed property shares, that fall within their investment mandates. Where an investment becomes unlisted whilst included in the mandate, the manager may retain the shares only if it cannot be sold.
 - > Investment managers are only allowed to invest in A to AAA rated local listed bonds. For non South African assets the rating must be investment grade. Credit risk is reduced by only investing in the bonds that are rated at these levels by an accredited rating agency operating in South Africa, or the equivalent ratings of any accredited international rating agency.
 - > Investments in money market instruments must have a short-term rating of at least F1 and a long-term rating of at least A, as rated by an accredited rating agency.
- Collective investment instruments
 - > Collective investments can include any investment through a life license or investment through a unit trust. Investments of this type must only be through a vehicle that is registered with the financial services regulator in South Africa and are subject in all respects to the requirements of the Unit Trust Control Act, 54 of 1981, the Insurance Act, 18 of 2017, or the Collective Investment Schemes Control Act, 45 of 2002.

5. RISK MANAGEMENT (continued)

5.4.2.b Credit risk (continued)

The exposure to credit risk from the financial assets at the end of the reporting period was:

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
At fair value through profit or loss				
Debt securities				
Corporate bonds	2 420	22 243	-	-
Insurance policy - Global bonds	44 700	32 810	-	-
Unit trust	1 293 058	1 090 548	-	-
Deposits and money market securities	964 732	883 773	-	-
At amortised cost				
Deposits and money market securities	1 157 777	756 524	-	-
Insurance receivables				
Premium receivables - Insurance contracts	17 170	12 256	-	-
Premium receivables - Other	18 870	14 523	-	-
Sundry insurance receivables	23 466	17 648	-	-
Reinsurance recoveries	36 814	36 302	-	-
Loans to policyholders - Insurance contracts	641	3 000	-	-
Loans to policyholders - Other	-	(2 353)	-	-
Other receivables:				
Other sundry receivables	15 975	27 024	41 524	863
Loans to personnel and other loans	11 204	23 797	-	-
Cash and cash equivalents	424 812	346 698	12 457	37 398
Total	4 011 639	3 264 793	53 981	38 261
Analysis per credit ratings				
Local debt securities (National long-term rating)	1 295 478	1 112 791	-	-
AAA	2 420	247	-	-
AA+, AA, AA-	1 293 058	1 090 548	-	-
A+, A, A-	-	21 996	-	-
Deposits and money market securities (National long-term rating)	2 122 509	1 640 297	-	-
AAA	1 389 366	871 159	-	-
AA+, AA, AA-	732 001	648 837	-	-
A+, A, A-	1 142	120 301	-	-
Cash and cash equivalents (National long-term rating)	424 812	346 698	12 457	16 342
AA+, AA, AA-	424 812	346 698	12 449	16 335
A+, A, A-	-	-	8	7
Unrated	124 140	132 197	41 524	21 919
Cash and cash equivalents	-	-	-	21 056
Insurance receivables	96 961	81 376	-	-
Other receivables	27 179	50 821	41 524	863
Global debt securities (Long term issuer default rating -Local currency)	44 700	32 810	-	-
AAA	21 616	15 137	-	-
AA+, AA, AA-	7 590	5 810	-	-
A+, A, A-	8 880	6 804	-	-
BBB+, BBB, BBB-	6 614	5 059	-	-
Total	4 011 639	3 264 793	53 981	38 261

5. RISK MANAGEMENT (continued)

5.4.2.b Credit risk (continued)

Credit rating used:

The rating used for local assets is the National Long-Term rating issued by rating agencies. This rating gives a relative credit quality for the issuer and/or entity in relation to the government of the Republic of South Africa. The rating used for global assets is the Long-Term Issuer Default rating (Local currency) issued by rating agencies. If there is no rating available from a rating agency an internal model is used. The internal rating scale is based on internal definitions and influenced by definitions published by mainly the external rating agency Moody's. Other external rating agencies such S&P and GCR are considered where necessary.

Rating definition:

AAA	Highest quality: An extremely strong capacity to meet its financial obligations.
AA+, AA, AA-	Very high quality: A very strong capacity to meet its financial obligations.
A+, A, A-	High quality: A strong capacity to meet its financial obligations but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.
BBB+, BBB, BBB-	Good quality: The expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

The analysis of overall credit risk exposure indicates that the Group has policyholder receivables that are impaired at the end of the reporting period. The assets, that include both outstanding premium debtors and policyholder loans, are analysed below:

		CONSOLIDATED		COMPANY	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
Policyholder receivables	<i>Gross</i>	94 125	69 436	-	-
	<i>Impairment provision</i>	(57 444)	(42 010)	-	-
	<i>Net</i>	36 681	27 426	-	-

The table below provides information regarding the credit quality of assets which expose the Group to credit risk.

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Debt securities	1 340 178	1 145 601	-	-
Neither past due, nor impaired	1 340 178	1 145 601	-	-
Deposits and money market securities	2 122 509	1 640 297	-	-
Neither past due, nor impaired	2 122 509	1 640 297	-	-
Insurance receivables	96 961	81 376	-	-
Neither past due, nor impaired	63 984	74 920	-	-
Past due				
0 to 2 months	22 401	17 789	-	-
3 to 5 months	25 757	7 251	-	-
More than 5 months	120 362	86 590	-	-
Impairment provisions	(135 543)	(105 175)	-	-
Other receivables	27 179	50 821	41 524	863
Neither past due, nor impaired	24 799	33 628	41 524	863
Past due				
0 to 2 months	827	15 095	-	-
More than 5 months	1 552	2 098	-	-
Cash and cash equivalents	424 812	346 698	12 457	37 398
Neither past due, nor impaired	424 812	346 698	12 457	37 398
Total	4 011 639	3 264 793	53 981	38 261

5. RISK MANAGEMENT (continued)**5.4.2.b Credit risk (continued)****(ii) Collateral coverage**

None of the entities in the Group has any collateral coverage on their financial assets.

5.4.2.c Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. Refer to the maturity profiles included in the note to policyholder liabilities (note 28).

- Liquidity requirements and cash resources are monitored by the Investment Committee.
- The head of actuarial control function performs an asset liability modelling exercise to ensure that the asset mix of Assupol Life is appropriate. This involves looking at the asset / liability profile and the appropriateness of the assets vis-à-vis the liabilities, bearing in mind issues of volatility, liquidity and the expected future cash flows of the business. Unutilised funds are invested in accordance with the mandate of the individual portfolios. The results of this model are incorporated in the ongoing investment strategy of Assupol Life to ensure that policyholder expectations and liquidity requirements are met.
- Appropriate assets back the Group's liabilities. The Group has significant liquid resources and continues to experience positive net cash flows.

(i) Liquidity risks arising out of obligations to policyholders

The liquidity risk associated with obligations to policyholders is managed by considering the timing of undiscounted cash inflows / outflows as depicted below. In the table below the net cash inflows and outflows are shown as positive and negative amounts respectively.

<i>Consolidated</i>	INSURANCE CONTRACTS		INVESTMENT CONTRACTS	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
<i>Unit liabilities</i>				
Within 1 year	66 034	56 278	155 692	116 701
2 to 5 years	111 219	118 030	446 405	369 170
6 to 10 years	67 104	88 353	376 823	361 126
11 to 20 years	36 200	43 106	482 103	439 978
Over 20 years	28 428	23 885	159 914	150 648
Total unit liabilities	308 985	329 652	1 620 937	1 437 623
<i>Non-unit liabilities</i>				
Within 1 year	31 420	37 025	2 972	1 577
2 to 5 years	17 547	17 019	1 050 958	660 479
6 to 10 years	(140 041)	(114 022)	3 055	3 249
11 to 20 years	(410 736)	(363 395)	855	869
Over 20 years	(2 390 256)	(2 050 116)	1 027	809
Total	(2 892 066)	(2 473 489)	1 058 867	666 983
Effect of discounting cash flows	(2 375 979)	(1 942 652)	66 202	44 227
Effect of compulsory margins	1 898 620	1 602 266	29 934	28 560
Undiscounted liabilities (including IBNR reserves)	63 109	55 727	-	-
Total non-unit liabilities	(3 306 316)	(2 758 148)	1 155 003	739 770
TOTAL				
Within 1 year	97 454	93 303	158 664	118 278
2 to 5 years	128 766	135 049	1 497 363	1 029 649
6 to 10 years	(72 937)	(25 669)	379 878	364 375
11 to 20 years	(374 536)	(320 289)	482 958	440 847
Over 20 years	(2 361 828)	(2 026 231)	160 941	151 457
Effect of discounting cash flows	(2 375 979)	(1 942 652)	66 202	44 227
Effect of compulsory margins	1 898 620	1 602 266	29 934	28 560
Undiscounted liabilities (including IBNR reserves)	63 109	55 727	-	-
Total policyholder liabilities	(2 997 331)	(2 428 496)	2 775 940	2 177 393

5. RISK MANAGEMENT (continued)*5.4.2.c Liquidity risk (continued)*

The unit liabilities above are calculated based on the value of the assets below as these assets are invested in accordance with the mandate chosen by the policyholder:

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Equity securities	945 089	906 055	-	-
Debt securities	296 664	337 884	-	-
Deposits and money market securities	688 169	523 336	-	-
Total	1 929 922	1 767 275	-	-

The expected liquidity requirement for undiscounted expected cash flows for unit liabilities for the next year is R222 million. The Group has sufficient cash and cash equivalents to cover this risk.

The expected liquidity requirement for undiscounted expected cash flows for non-unit liabilities for the next year is an outflow of R34 million and therefore no provision is needed for liquidity purposes due to sufficient cash equivalents.

The table below indicates the composition of the insurance and investment policyholder contracts as well as the related reinsurance based on the underlying portfolios.

<i>Consolidated</i>	INSURANCE CONTRACTS		INVESTMENT CONTRACTS	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Policyholder assets	(4 306 076)	(3 736 618)	-	-
Policyholder liabilities	1 311 637	1 311 637	2 775 940	2 177 393
Reinsurance assets	(2 891)	(3 515)	-	-
Total net policyholder (assets) / liabilities	(2 997 331)	(2 428 496)	2 775 940	2 177 393

The table below shows the carrying value of policyholder liabilities and the cash surrender value that relate to the respective policies.

<i>Consolidated</i>	CARRYING VALUE		SURRENDER VALUE	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Insurance contracts				
Linked and conventional business	364 173	389 750	298 985	324 350
Other business	(3 358 613)	(2 814 731)	-	-
Reinsurance assets	(2 891)	(3 515)	-	-
Investment contracts	2 775 940	2 177 393	2 576 369	2 076 182
Total policyholder liabilities	(221 391)	(251 103)	2 875 354	2 400 532

5. RISK MANAGEMENT (continued)

(ii) Liquidity risks arising out of obligations on financial liabilities (excluding policyholder liabilities)

The table below analyses the settlement value for financial liabilities (excluding policyholder liabilities) differentiating between relevant maturity groupings, based on the remaining period at the end of the reporting period to the contractual maturity date.

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Lease liabilities	249 949	256 571	-	-
Contractual undiscounted cash flows				
Within 1 year	35 025	29 170	-	-
2 to 5 years	156 657	139 119	-	-
More than 5 years	58 267	88 282	-	-
Subordinated debt	352 168	-	-	-
Contractual undiscounted cash flows				
Within 1 year	21 634	-	-	-
2 to 5 years	330 534	-	-	-
Insurance and other payables	328 317	318 893	18 259	18 985
Contractual undiscounted cash flows				
Within 1 year	176 874	146 896	-	-
Open ended	151 443	171 997	18 259	18 985
Total	930 434	575 464	18 259	18 985

5. RISK MANAGEMENT (continued)**5.4.3 Capital risk management****5.4.3.a Capital management policies and objectives**

The Group's capital management philosophy is to:

- Optimise the return on capital within the overarching risk tolerance ranges including all regulatory requirements;
- Ensure a sustainable business and providing shareholders with appropriate returns at an acceptable risk; and
- Ensure that the strategy of the Group can be executed successfully.

The capital management plan also ensures alignment of capital to risks and ensures that the reward is commensurate the risk taken.

5.4.3.b Solvency Capital Requirement

The risk-based financial soundness framework, Solvency Assessment and Management (SAM), commenced when the Insurance Act, 18 of 2017, became effective. The act determined the calculation of the Solvency Capital Requirement (SCR) that replaced the Capital Adequacy Requirement (CAR) as determined by the Long Term Insurance Act, 52 of 1998.

Assupol Life is required to maintain at all times its business in a financially sound condition by holding eligible own funds equal to its SCR. The SCR measurement is intended to provide a 99.5% confidence level that Assupol Life will be able to meet its existing liabilities.

	2019	2018
Available solvency capital (R'm)	5 936	4 759
Solvency Capital Requirement (R'm)	3 421	2 715
Surplus above solvency requirement (R'm)	2 515	2 044
Capital ratio at year end (times covered)	1.73	1.75

The Group and its individually regulated operations have complied with all externally and internally imposed capital requirements throughout the period.

5.4.3.c Subordinated debt structure

During the financial year the Group entered into a subordinated debt structure. In terms of the agreement, the company has access to a draw down facility of R250 million. At the end of the financial year, R125 million of this facility was utilised mainly for the funding of new business.

The maturity profile of the subordinated debt is shown below:

	Date drawn	Tenor	Interest	Interest rate	Amount drawn R'000	Capital repayment
Draw 1	Feb 2019	4 years	Floating	10.03%	863	End of term
Draw 2	May 2019	4 years	Fixed	10.29%	62 500	End of term
Draw 3	Jun 2019	4 years	Fixed	10.25%	62 500	End of term

A facility fee of 0.3% plus VAT was paid at the start of the contract on the total facility amount. A commitment fee of 0.7% is charged on the undrawn amount during the 12-month period until January 2020.

The agreement does allow for early redemption, subject to penalties. However, these dates are not defined.

5. RISK MANAGEMENT (continued)

5.4.4 *Fair value estimation*

The tables below analyse each class of financial instrument and insurance contracts, per category, as well as provide the fair values, where applicable for both the Group and the company.

Consolidated (R'000)	Financial assets and liabilities at FVTPL	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount	Fair value
For the year ended June 2019					
Local listed shares	955 118	-	-	955 118	955 118
Unit trusts					
Global	309 715	-	-	309 715	309 715
Debt securities					
Corporate bonds	2 420	-	-	2 420	2 420
Insurance policy	44 700	-	-	44 700	44 700
Unit trust	1 293 058	-	-	1 293 058	1 293 058
Deposits and money market securities	964 732	1 157 777	-	2 122 509	2 154 585
Other receivables	-	27 179	-	27 179 *	27 179
Cash and cash equivalents	-	424 812	-	424 812	424 812
Investment contract liabilities	1 565 953	-	1 209 987	2 775 940	2 743 321
Other liabilities	-	-	318 996	318 996	319 998
Accounts payable	-	-	49 553	49 553 *	49 553
For the year ended June 2018					
Local listed shares	921 399	-	-	921 399	921 399
Unit trusts					
Global	284 307	-	-	284 307	284 307
Debt securities					
Corporate bonds	22 243	-	-	22 243	22 243
Insurance policy	32 810	-	-	32 810	32 810
Unit trust	1 090 548	-	-	1 090 548	1 090 548
Deposits and money market securities	883 773	756 524	-	1 640 297	1 631 261
Other receivables	-	50 821	-	50 821 *	50 821
Cash and cash equivalents	-	346 698	-	346 698	346 698
Investment contract liabilities	1 449 596	-	727 797	2 177 393	2 173 253
Other liabilities	-	-	189 962	189 962	189 962
Accounts payable	-	-	256 991	256 991 *	256 991

* For receivables and payables where payment terms are less than 90 days the carrying value approximates fair value. Furthermore, policyholder loans are secured by an underlying cash value of the policy on which the loan is granted.

5. RISK MANAGEMENT (continued)**5.4.4 Fair value estimation (continued)**

Company (R'000)	Financial assets and liabilities at FVTPL	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount	Fair value
For the year ended June 2019					
Other receivables	-	41 524	-	41 524	41 524
Cash and cash equivalents	-	12 457	-	12 457	12 457
Other payables	-	-	18 259	18 259	18 259
For the year ended June 2018					
Other receivables	-	863	-	863	863
Cash and cash equivalents	-	37 398	-	37 398	37 398
Other payables	-	-	18 985	18 985	18 985

5.4.5 Fair value hierarchy

The table below shows the Group's financial assets and liabilities that are recognised and subsequently measured at fair value analysed by valuation technique on a recurring basis. The Group does not have any held-for-sale financial asset or liabilities subject to non-recurring fair value measurement. The classification of instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair values of accounts receivable, cash equivalents and accounts payable approximate their carrying values due to their short-term nature and are as a result not measured at fair value nor analysed by valuation technique. Refer notes 22, 23 and 34 for further information on these assets and liabilities.

The measurement at fair value, grouped into levels 1 to 3, is based on the degree to which the fair value is observable.

- Level 1: Valued with reference to quoted prices (unadjusted) in active markets for identical assets or liabilities. The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, additional work is required during the valuation process to obtain assurance that the transaction price provides evidence of the fair value or to determine the adjustments to transaction prices that are necessary.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The valuation techniques and assumptions applied for purposes of measuring fair value of financial assets and liabilities are determined as follows:

For level 1:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

For level 2:

- The fair value of other financial assets and financial liabilities (excluding derivatives) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- Observable inputs generally used to measure the fair value of securities classified as level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data. The specific inputs used are:
 - > Risk free rate: 6.82% to 7.21%
- The fair value of derivatives is calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. The specific inputs used are:
 - > Dividend yield: 3.55% to 5.39%;
 - > Risk free rate: 6.99% to 7.23%;
 - > Equity index level strike: 46 411 to 51 499 (index level 52 199 at year-end);
 - > Equity volatility: 14.37 to 20.10;
 - > Reference bond yield strike: 7.47% to 9.24% (reference bond closing yields of 8.09% and 7.23%); and
 - > Bond volatility: 6.26 to 7.05.

5. RISK MANAGEMENT (continued)5.4.5 Fair value hierarchy (continued)

- The fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from the market-based credit information and the amount of loss, given the default.

For level 3:

- When classifying fair value measures within level 3 of the valuation hierarchy the determining factors are generally based on the significance of the unobservable factors when compared to the overall fair value measurement. The Group applies various due diligence procedures, as considered appropriate, to validate the underlying information used in the valuations.

The table discloses fair value information for financial instruments measured at fair value except where otherwise indicated.

R'000	Level 1	Level 2	Level 3	TOTAL
Consolidated 2019				
Local listed shares	943 815	-	-	943 815
Derivatives				
Equity options	-	11 303	-	11 303
Bond options	-	2 420	-	2 420
Unit trusts				
Global	309 715	-	-	309 715
Debt securities				
Insurance policy - Global bonds	44 700	-	-	44 700
Unit trusts	-	1 293 058	-	1 293 058
Deposits and money market securities*	734 204	1 420 381	-	2 154 585
Insurance receivables	-	19 511	-	19 511
Other receivables	-	-	27 179	27 179
Total financial assets	2 032 434	2 746 673	27 179	4 806 286
Net investment contract liabilities*	-	2 743 321	-	2 743 321
Other liabilities - Subordinated debt	126 979	-	-	126 979
Total financial liabilities	126 979	2 743 321	-	2 870 300
Consolidated 2018				
Local listed shares	909 862	-	-	909 862
Derivatives				
Equity options	-	11 537	-	11 537
Bond options	-	247	-	247
Unit trusts				
Global	284 307	-	-	284 307
Debt securities				
Corporate bonds	12 928	9 068	-	21 996
Insurance policy - Global bonds	32 810	-	-	32 810
Unit trusts	-	1 090 548	-	1 090 548
Deposits and money market securities*	653 423	977 838	-	1 631 261
Insurance receivables	-	15 170	-	15 170
Other receivables	-	-	50 821	50 821
Total financial assets	1 893 330	2 104 408	50 821	4 048 559
Net investment contract liabilities*	-	2 173 253	-	2 173 253
Total financial liabilities	-	2 173 253	-	2 173 253

* Includes financial instruments designated as 'at amortised cost' as the fair values have been estimated in accordance with note 5.4.4. Refer note 21 for carrying amounts.

There were no transfers between the various levels during the current and previous financial years.

5. RISK MANAGEMENT (continued)5.5 Other risks5.5.1 *Intermediary debt exposure*

It is industry practice to pay intermediaries in advance for business submitted to the insurer after receipt of the first premium. As a result, there is an unvested portion of commission payments which is repayable to the insurer should the individual policies lapse or be cancelled. The cumulative effect of poor quality and low quantities of business could result in the intermediary owing money to the insurer, as the clawbacks exceed the commission earnings. These levels are monitored on a monthly basis by the Credit Control Committee and corrective action can be taken should the need arise. There is a risk of non-recovery of amounts owing to the insurer. For further information, refer note 22 to the financial statements.

5.5.2 *Compliance and regulatory risk*

The financial services industry has undergone several regulatory changes during the past few years. More changes are expected and this could have a significant impact on the range and affordability of products that the Group is able to offer to our lower-income clients. The management of the market conduct risk associated with Assupol Life's advisors and brokers is one of the more demanding regulatory requirements.

The Compliance department evaluates and monitors all compliance issues in order to minimise the risk of financial loss or reputational loss as a result of non-compliance. This department provides services to the entire Group and reports to the Risk Committee.

5.5.3 *Expense risk*

The risk is that the actual operating expenses of Assupol Life exceeds those reserved for in the valuation of policyholder liabilities (as recommended by the head of actuarial control function). The Executive Committee monitors expense and policy volumes on a quarterly basis. The expense budget is controlled through guidelines as set down by the Group's Financial Administration Policy.

5.5.4 *Operational risk*

Operational risk is the risk of loss due to inadequate internal processes, people or systems, or occurrence of external events. The risk is actively managed through the Assupol Life Management Committee and various other operational committees while the Assupol Life Executive Committee oversees the proper administration and reporting of these risks. The Solvency Capital Requirement as described in 5.4.3.b includes a provision for the operational risk as per the requirements of the Financial Soundness Standards for Insurers (FSI 4.4).

6. SEGMENT INFORMATION

The Group's operating segments are based on the legal entities within the Group and are categorised according to similar business activities. The chief operating decision maker makes decisions about resource allocation on the performance of an entity and financial information is provided on that basis.

- Life insurance: This operating segment pertains to Assupol Life that provides life insurance and investment solutions to the group's clients.

- Intermediaries: This segment includes the companies in the Group that provides administrative services to other intermediaries.

- Other: This segment consists of the remaining smaller operating entities in the Assupol Group which include the property company as well as companies that are in the process of being wound down.

- Reporting adjustments: The information in the segment report is presented on the same basis as reported to management. Reporting adjustments are those accounting reclassifications and entries that are required to produce IFRS compliant results. These adjustments also include the results of the holding company of the Group as well as the company that holds the investments of all the non-life subsidiaries in the Group.

6.1 Segment earnings

	Life insurance	Inter- diaries	Other	Reporting adjustments	Total
	R'000	R'000	R'000	R'000	R'000
For the year ended 30 June 2019					
Net insurance premium revenue	3 356 749	-	-	-	3 356 749
Commission received on outward reinsurance	3 154	-	-	-	3 154
Fee income	75 651	-	-	-	75 651
Investment income and net fair value gains on financial assets	304 257	1 238	1 240	2 831	309 566
Other income	(885)	47 431	-	(46 731)	(185)
Income	3 738 926	48 669	1 240	(43 900)	3 744 935
Net insurance benefits and claims	(985 235)	-	-	-	(985 235)
Commission expenses	(827 288)	-	-	2 929	(824 359)
Operating and administrative expenses	(1 112 696)	(18 089)	(13)	(6 127)	(1 136 925)
Investment management expenses	(13 590)	-	-	-	(13 590)
Change in insurance contract provisions	568 835	-	-	-	568 835
Fair value adjustments on investment contracts liabilities	(186 445)	-	-	-	(186 445)
Expenses	(2 556 419)	(18 089)	(13)	(3 198)	(2 577 719)
Result of operating activities	1 182 507	30 580	1 227	(47 098)	1 167 216
Finance charges	(16 713)	(9)	-	(14)	(16 736)
Profit / (loss) before taxation	1 165 794	30 571	1 227	(47 112)	1 150 480
Income tax expense	(243 290)	422	(343)	(230)	(243 441)
Profit / (loss) for the year	922 504	30 993	884	(47 342)	907 039
Total comprehensive income / (loss) for the year	922 504	30 993	884	(47 342)	907 039

6. SEGMENT INFORMATION (continued)

6.1 Segment earnings (continued)

	Life insurance R'000	Interme- diaries R'000	Other R'000	Reporting adjustments R'000	Total R'000
For the year ended 30 June 2018					
Net insurance premium revenue	2 753 116	-	-	-	2 753 116
Commission received on outward reinsurance	7 222	-	-	-	7 222
Fee income	66 653	-	-	-	66 653
Investment income and net fair value gains on financial assets	375 483	2 356	526	4 475	382 840
Other income	(571)	-	184	14	(373)
Income	3 201 903	2 356	710	4 489	3 209 458
Net insurance benefits and claims	(752 099)	-	-	-	(752 099)
Commission expenses	(631 277)	-	-	-	(631 277)
Operating and administrative expenses	(963 308)	(289)	(688)	(13 247)	(977 532)
Investment management expenses	(10 790)	-	-	-	(10 790)
Change in insurance contract provisions	532 926	-	-	-	532 926
Fair value adjustments on: investment contracts liabilities	(177 311)	-	-	-	(177 311)
Expenses	(2 001 859)	(289)	(688)	(13 247)	(2 016 083)
Result of operating activities	1 200 044	2 067	22	(8 758)	1 193 375
Finance charges	(14 213)	(6)	(2)	-	(14 221)
Profit / (loss) before taxation	1 185 831	2 061	20	(8 758)	1 179 154
Income tax expense	(331 535)	(576)	(46)	(103)	(332 259)
Profit / (loss) for the year	854 296	1 485	(26)	(8 861)	846 895
Total comprehensive income / (loss) for the year	854 296	1 485	(26)	(8 861)	846 895

6. SEGMENT INFORMATION (continued)**6.2 Other financial detail per reportable segment**

	Life insurance R'000	Interme- diaries R'000	Other R'000	Reporting adjustments R'000	Total R'000
For the year ended 30 June 2019					
Financial assets - Investments	4 727 520	-	-	-	4 727 520
Policyholder assets	2 997 331	-	-	-	2 997 331
Total other assets	850 062	38 009	156	56 866	945 093
Policyholder liabilities	2 775 940	-	-	-	2 775 940
Total other liabilities	1 653 348	150	31	(26 947)	1 626 582
Additions to non-current assets	54 407	36	-	-	54 444
Depreciation	53 747	407	-	-	54 154
Amortisation of intangible assets	12 479	-	-	5 576	18 055
Impairment of intangible assets	8 694	-	-	-	8 694
For the year ended 30 June 2018					
Financial assets - Investments	3 991 604	-	-	-	3 991 604
Policyholder assets	2 428 496	-	-	-	2 428 496
Total other assets	671 841	51 730	13 437	133 285	870 293
Policyholder liabilities	2 177 393	-	-	-	2 177 393
Total other liabilities	1 381 210	3 177	364	43 985	1 428 736
Additions to non-current assets	227 555	-	-	-	227 555
Depreciation	44 715	-	-	-	44 715
Amortisation of intangible assets	10 380	-	-	-	10 380
Impairment of intangible assets	6 782	-	-	-	6 782

6.3 Segment information from geographical areas

All of the entities in the Group operates within the Republic of South Africa only. No revenue is generated in foreign countries.

6.4 Segment information per product classification

The Group has no exposure to a single customer that exceeds 10% of the total customer base. A customer is defined as a single policyholder. The customer base of Assupol Life is illustrated by the type of contracts that the company offers as a percentage of premium.

	2019	2018
Individual insurance business	81.6%	68.5%
Group risk business	18.4%	31.5%
Total	100.0%	100.0%

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
7. NET INSURANCE PREMIUM REVENUE				
Gross individual premiums	2 549 189	2 122 856	-	-
Gross group scheme and grouped individual premiums	872 409	826 325	-	-
Gross inward reinsurance premiums	36 568	38 188	-	-
Outward reinsurance premiums paid	(101 417)	(234 253)	-	-
Total net insurance premium revenue	3 356 749	2 753 116	-	-
8. FEE INCOME				
Investment management fee charges	67 766	57 849	-	-
Policy fee	46 141	37 758	-	-
Management fees	21 625	20 091	-	-
Surrender charges	7 775	8 675	-	-
Amortisation of deferred revenue	110	129	-	-
Total fee income	75 651	66 653	-	-
9. INVESTMENT INCOME				
At fair value through profit or loss				
Interest received on financial assets (note 21)	177 079	153 535	-	-
Dividends received	28 741	16 213	348 305	184 413
At amortised cost				
Interest received on financial assets (note 21)	66 564	64 436	-	-
Interest received on insurance and other receivables	1 147	968	-	-
Policyholder loans	128	214	-	-
Loans to personnel	1 019	754	-	-
Cash and cash equivalents	19 592	18 294	1 707	3 064
Total investment income	293 123	253 446	350 012	187 477
10. NET FAIR VALUE GAINS / (LOSSES) ON FINANCIAL ASSETS				
At fair value through profit or loss				
From equity securities				
Local listed shares	(30 416)	68 748	-	-
Global unit trusts	17 308	37 001	-	-
From debt securities				
Local debt securities	36 256	19 583	-	-
Global debt securities	2 242	1 553	-	-
Structured products	(8 947)	2 509	-	-
Total net fair value gains on financial assets	16 443	129 394	-	-

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
11. OTHER INCOME				
Profit / (loss) on disposal of equipment	249	(575)	-	-
Other (loss) / income	(434)	202	2	152
Total other income	(185)	(373)	2	152
12. NET INSURANCE BENEFITS AND CLAIMS				
Individual benefits	631 330	412 616	-	-
Death and disability claims	532 331	447 717	-	-
Accident and dread disease claims	16 012	13 660	-	-
Maturities	94 495	92 460	-	-
Surrenders	36 963	48 459	-	-
Inward reinsurance claims	40 134	34 963	-	-
Outward reinsurance recoveries	(88 605)	(224 643)	-	-
Group scheme and grouped individual benefits	353 905	339 483	-	-
Total net insurance benefits and claims	985 235	752 099	-	-
13. COMMISSION EXPENSES				
Insurance contracts				
Commission paid	811 880	620 897	-	-
Investment contracts				
Amortisation of intangible asset (DAC)	12 479	10 380	-	-
Total commission expenses	824 359	631 277	-	-

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
14. OPERATING AND ADMINISTRATIVE EXPENSES				
Office costs	307 114	358 551	665	545
Employee costs	442 979	366 310	-	-
Advertising and promotions	206 045	119 111	-	-
Provision for impairments on receivables	15 434	12 671	-	-
Training and development costs	15 690	11 452	-	-
Share register and trading cost	1 011	4 565	1 011	4 565
Strategic projects	5 991	7 379	5 991	7 379
Impairment of investment in subsidiaries	-	-	35 477	-
Other	142 661	97 493	5 034	3 798
Total operating and administrative expenses	1 136 925	977 532	48 178	16 287
Operating and administrative expenses include the following:				
Depreciation on property and equipment	54 154	44 715	-	-
Owned computer equipment	12 208	10 117	-	-
Motor vehicles	6 142	4 425	-	-
Office equipment	3 687	3 361	-	-
Right-to-use assets: Property	31 534	26 812	-	-
Right-to-use assets: Equipment	583	-	-	-
Auditors' remuneration	5 716	5 159	660	541
Audit fees - current year	2 181	2 024	-	-
Audit fees - prior years	3 535	3 135	660	541
Repairs and maintenance	19 321	16 735	-	-
Professional services	35 662	23 711	989	138
Actuarial services	6 333	7 347	-	-
Legal	5 467	4 423	88	-
Information technology	10 490	4 936	-	-
Professional and consulting	13 372	7 005	901	138
Lease rentals	16 159	15 629	-	-
Office equipment	71	206	-	-
Office buildings	16 088	15 423	-	-
Amortisation of intangible assets (excluding DAC)	5 576	-	-	-
Trademark and customer relationships	5 576	-	-	-
Impairment of intangible assets (note 19)	8 694	6 782	-	-
Deferred acquisition cost (DAC) ⁽¹⁾	8 694	6 782	-	-

(1) The impairment of the deferred acquisition cost is effected when any of the underlying contracts where a deferred acquisition cost asset has been recognised become inactive, and no further recovery of the deferred cost is possible.

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
14. OPERATING AND ADMINISTRATIVE EXPENSES (continued)				
Employee costs ⁽¹⁾	442 979	366 310	-	-
Salaries and wages	310 479	246 649	-	-
Leave pay	1 419	1 947	-	-
Bonus	64 408	58 458	-	-
Pension costs - defined contribution plan	29 790	23 935	-	-
Equity-settled share-based payments:				
Share incentive scheme	59	200	-	-
Deferred bonus	35 435	33 276	-	-
Other share incentives	1 389	1 845	-	-
Total directors' emoluments ⁽²⁾	67 455	58 528	3 128	3 032
Executive directors (including the prescribed officers)	58 282	50 470	-	-
Non-executive directors	9 173	8 058	3 128	3 032

(1) The number of permanent salaried staff, contract and temporary workers at 30 June 2019 was 960 (30 June 2018: 813).

(2) The emoluments of the executive directors and prescribed officers are included in the employee costs above. All executive directors and prescribed officers are eligible for an annual performance bonus. Performance related bonuses are based on the financial performance and indicators of the Group. Refer note 38.

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
15. FINANCE CHARGES				
Lease liability (notes 3.4 and 34)	(14 985)	(14 213)	-	-
Subordinated debt	(1 728)	-	-	-
Other financiers	(23)	(8)	-	-
Total interest expense	(16 736)	(14 221)	-	-

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
16. INCOME TAX EXPENSE				
Current tax	(222 183)	(153 015)	(93)	265
Security transfer tax	-	(10)	-	(10)
Deferred tax (note 33)	(21 258)	(179 234)	-	-
Total income tax expense - South African normal tax	(243 441)	(332 259)	(93)	255

Reconciliation of tax rate

Tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	CONSOLIDATED		COMPANY	
	2019 %	2018 %	2019 %	2018 %
Standard rate of taxation	28.00	28.00	28.00	28.00
Adjusted for:				
Non taxable income	(20.83)	(12.05)	(28.91)	(30.14)
Non deductible expenses	2.95	1.84	1.05	2.18
Capital gains not subject to tax	(0.18)	(0.33)	-	-
Amounts not credited to profit or loss ⁽¹⁾	11.13	10.75	-	-
Overprovision of prior years	(0.19)	(0.34)	-	(0.15)
Unutilised tax losses	(0.03)	(0.01)	(0.11)	(0.04)
Non-income generating expenses	0.31	0.32	-	-
Effective tax rate	21.16	28.18	0.03	(0.15)

(1) This adjustment includes transactions relating to investment contracts that are not recognised in profit or loss.

	CONSOLIDATED	
	2019 R'000	2018 R'000
17. GROUP EARNINGS PER SHARE		
Total earnings attributable to ordinary shareholders	907 039	846 895
Effect of restricted share plans	26 556	25 431
Total diluted earnings attributable to ordinary shareholders	933 595	872 326
Weighted average number of shares in issue *	379 818	366 492
Effect of restricted share plans	12 169	18 164
Effect of BEE transaction	31 574	28 361
Diluted average number of shares in issue	423 561	413 017
Group earnings per share:		
Basic	2.39	2.31
Diluted	2.20	2.11

The basic earnings per share is the basic earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue, assuming the conversion of all issued shares with dilutive potential.

The shares relating to the restricted share plans and BEE transaction are excluded from the weighted average number of shares in issue as it was either issued at no or little consideration or are subject to recall. It is included in the diluted average number of shares in issue as it is considered that the conditions were satisfied at the end of reporting period assuming that the end of the current reporting period was the end of the contingency period.

* The weighted average number of shares in issue includes a weighted number of 'B2' non par value shares of 3.28 million that were not issued at year-end. Refer note 24.

<i>Consolidated</i>	Office equipment	Computer equipment	Motor vehicles	Right-of-use assets: Property	Right-of-use assets: Equipment	Total
	R'000	R'000	R'000	R'000	R'000	R'000
18. PROPERTY AND EQUIPMENT						
For the year ended 30 June 2019						
Net book value						
at beginning of year	22 632	35 093	18 188	174 786	-	250 699
Additions	3 727	18 627	10 238	18 648	3 204	54 444
Disposals	(474)	(120)	(1 084)	-	-	(1 678)
Depreciation charge	(3 687)	(12 208)	(6 142)	(31 534)	(583)	(54 154)
Net book value at end of year	22 198	41 392	21 200	161 900	2 621	249 311
At 30 June 2019						
Cost	44 761	96 928	35 194	220 246	3 204	400 333
Accumulated depreciation	(22 563)	(55 536)	(13 994)	(58 346)	(583)	(151 022)
<i>Non-current asset</i>	22 198	41 392	21 200	161 900	2 621	249 311
For the year ended 30 June 2018						
Net book value						
at beginning of year	21 143	32 150	14 509	-	-	67 802
Additions	5 709	13 211	7 037	201 598	-	227 555
Acquisition of subsidiary	56	129	1 974	-	-	2 159
Disposals	(915)	(280)	(907)	-	-	(2 102)
Depreciation charge	(3 361)	(10 117)	(4 425)	(26 812)	-	(44 715)
Net book value at end of year	22 632	35 093	18 188	174 786	-	250 699
At 30 June 2018						
Cost	42 122	79 533	29 726	201 598	-	352 979
Accumulated depreciation	(19 490)	(44 440)	(11 538)	(26 812)	-	(102 280)
<i>Non-current asset</i>	22 632	35 093	18 188	174 786	-	250 699

No item of property and equipment has been pledged as security.

<i>Consolidated</i>	Goodwill ⁽¹⁾ R'000	Deferred acquisition cost (DAC) ⁽²⁾ R'000	IT develop- ment cost ⁽³⁾ R'000	Trademark and customer relationships ⁽⁴⁾ R'000	Total R'000
19. INTANGIBLE ASSETS					
For the year ended 30 June 2019					
Net carrying amount at beginning of year	75 134	34 653	-	27 881	137 668
Additions	-	-	9 500	-	9 500
New business	-	26 411	-	-	26 411
Impairment	-	(8 694)	-	-	(8 694)
Amortisation charge	-	(12 479)	-	(5 576)	(18 055)
Net carrying amount at end of year	75 134	39 891	9 500	22 305	146 830
At 30 June 2019					
Cost	85 608	61 425	9 500	27 881	184 414
Accumulated depreciation / impairment	(10 474)	(21 534)	-	(5 576)	(37 584)
Net carrying amount at end of year	75 134	39 891	9 500	22 305	146 830
Non-current asset	75 134	28 101	9 500	22 305	135 040
Current asset	-	11 790	-	-	11 790
For the year ended 30 June 2018					
Net carrying amount at beginning of year	75 134	27 622	-	-	102 756
Additions	-	-	-	27 881	27 881
New business	-	24 193	-	-	24 193
Impairment	-	(6 782)	-	-	(6 782)
Amortisation charge	-	(10 380)	-	-	(10 380)
Net carrying amount at end of year	75 134	34 653	-	27 881	137 668
At 30 June 2018					
Cost	85 608	62 237	-	27 881	175 726
Accumulated depreciation / impairment	(10 474)	(27 584)	-	-	(38 058)
Net carrying amount at end of year	75 134	34 653	-	27 881	137 668
Non-current asset	75 134	24 489	-	22 305	121 928
Current asset	-	10 164	-	5 576	15 740

(1) Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the business segment. During the 2018 financial year the goodwill that was previously reflected in Cornerstone Brokers, was transferred to Assupol Life as a result of the integration of the business of Cornerstone Brokers into Assupol Life. The recoverable amount of a CGU is determined based on value-in-use calculations which is supported the embedded value in Assupol Life of the Cornerstone policy book. The embedded value is equal to the adjusted net worth of Assupol Life, plus the value of the future profits from the in-force covered business, less the cost of required capital. The risk discount rate used to determine the value of the in-force profits is 11.2% (2018: 12.0%). There are sufficient compulsory margins to support the value of goodwill (refer to the assumptions in note 4).

(2) The impairment relates to policies that have lapsed or have been cancelled during the current and prior years. As the policies are now inactive, the Group will not receive any future fees on the policies. The net value of the impairment is R8.694 million (2018: R6.782 million).

(3) IT development cost consists of a number of projects that became technically and commercially feasible for use during the financial year. This asset has an estimated life of 3 years which is measured against the pattern of benefits arising from the use thereof.

(4) The trademark and customer relationships are an intangible asset which have been separately identified during the acquisition of Top Top Business Consultants. This asset has an estimated life of 5 years and is amortised over that period.

	COMPANY	
	2019 R'000	2018 R'000
20. INVESTMENTS IN SUBSIDIARIES (Unlisted)		
Balance at beginning of year	769 121	733 799
Equity-settled share-based payments		
Share incentive scheme - Assupol Life	59	200
Deferred bonus - Assupol Life	35 434	33 277
Other share incentives - Assupol Life	1 389	1 845
Impairment of investment in Assupol Investment Holdings	(35 477)	-
<i>Non-current asset</i> - unlisted equity investments	770 526	769 121
Unlisted equity investments, valued at cost, comprise the following:	770 526	769 121
Assupol Life	733 459	696 577
Assupol Investment Holdings	37 067	72 544

For detail of the ownership interest in each subsidiary, refer note 40.

The investment in Assupol Investment Holdings was impaired as a result of the transfer of the business operations of Cornerstone Brokers Corporate to Assupol Life. The operations were previously disclosed under the intermediaries segment and is now included in the life insurance segment (note 6). The method used to determine the value of a possible impairment was to compare the fair value of the related subsidiary less cost of disposal with the investment in the subsidiary.

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
21. FINANCIAL ASSETS - INVESTMENTS				
At fair value through profit or loss (designated) ⁽⁴⁾				
Equity securities - quoted and listed	1 264 833	1 205 706	-	-
Local listed shares	955 118	921 399	-	-
Global unit trusts	309 715	284 307	-	-
Total equity securities	1 264 833	1 205 706	-	-
Debt securities - quoted and listed (local) ⁽¹⁾	1 295 478	1 112 791	-	-
Corporate bonds	2 420	22 243	-	-
Unit trusts	1 293 058	1 090 548	-	-
Insurance policy - Global bonds ⁽²⁾	44 700	32 810	-	-
Total debt securities	1 340 178	1 145 601	-	-
Deposits and money market securities	964 732	883 773	-	-
Total at fair value through profit or loss (designated) (4)	3 569 743	3 235 080	-	-
At amortised cost				
Deposits and money market securities ⁽³⁾	1 157 777	756 524	-	-
Total at amortised cost	1 157 777	756 524	-	-
Total financial assets - investments	4 727 520	3 991 604	-	-
<i>Non-current asset</i>				
Debt securities - quoted and listed (local)	-	21 996	-	-
Deposits and money market securities	1 157 777	756 524	-	-
<i>Current asset</i>				
Equity securities - quoted and listed	1 264 833	1 205 706	-	-
Debt securities - quoted and listed (local)	1 340 178	1 123 605	-	-
Deposits and money market securities	964 732	883 773	-	-

(1) Listed debt securities in this category include floating-rate instruments and other debt securities. Corporate bonds paid a yield that varied between 7.47% and 8.37% (2018: 7.67% and 8.81%).

(2) The insurance policy was entered into to obtain global bond exposure as required for certain savings and investments products the Group sells. The policy relates only to the linked liabilities.

(3) These financial assets relate to the guaranteed single premium products. The interest rate varied between 6.93% and 10.39% (2018: 8.56% and 10.39%)

(4) Designated at fair value through profit and loss as it is managed on a fair value basis to back policyholder assets and policyholder liabilities under investment contracts.

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
21. FINANCIAL ASSETS - INVESTMENTS (continued)				
Analysis of movements in financial assets - investments:				
Balance at beginning of year	3 991 604	3 344 765	-	-
Additions				
At fair value through profit or loss	452 227	313 272	-	-
At amortised cost	334 689	176 312	-	-
Disposals at carrying value	(339 593)	(206 323)	-	-
Net fair value gains	16 443	129 394	-	-
Interest received				
At fair value through profit or loss	176 845	153 535	-	-
At amortised cost	66 564	64 436	-	-
Dividends received	28 741	16 213	-	-
Balance at end of year	4 727 520	3 991 604	-	-

Contractual maturity profile for financial assets - investments:

<i>Consolidated</i>	Open-ended R'000	0 to 1 year R'000	2 to 5 years R'000	6 to 10 years R'000	> 10 years R'000	TOTAL R'000
30 June 2019						
Equity securities						
Local listed shares	955 118	-	-	-	-	955 118
Local and global unit trusts	309 715	-	-	-	-	309 715
Debt securities						
Corporate bonds						
Fixed rate	-	2 420	-	-	-	2 420
Unit trust	1 293 058	-	-	-	-	1 293 058
Insurance policy						
Global bonds	44 700	-	-	-	-	44 700
Deposits and money market securities						
Fixed rate	-	230 529	1 157 777	-	-	1 388 306
Floating rate	-	2 553	-	-	-	2 553
Unit trust	731 650	-	-	-	-	731 650
Total	3 334 241	235 502	1 157 777	-	-	4 727 520

30 June 2018

Equity securities						
Local listed shares	921 399	-	-	-	-	921 399
Local and global unit trusts	284 307	-	-	-	-	284 307
Debt securities						
Corporate bonds						
Fixed rate	-	247	-	-	-	247
Floating rate	-	-	12 928	9 068	-	21 996
Unit trust	1 090 548	-	-	-	-	1 090 548
Insurance policy						
Global bonds	32 810	-	-	-	-	32 810
Deposits and money market securities						
Fixed rate	-	230 351	756 524	-	-	986 875
Floating rate	-	6 297	-	-	-	6 297
Unit trust	647 125	-	-	-	-	647 125
Total	2 976 189	236 895	769 452	9 068	-	3 991 604

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
22. INSURANCE AND OTHER RECEIVABLES				
Premiums receivable	36 040	26 779	-	-
Gross premiums outstanding	93 484	68 789	-	-
Provision for impairment	(57 444)	(42 010)	-	-
Sundry insurance receivables	23 466	17 648	-	-
Gross receivables outstanding	101 565	77 605	-	-
Provision for impairment	(78 099)	(59 957)	-	-
Other sundry receivables	15 975	27 024	41 524	863
Reinsurance recoveries	36 814	36 302	-	-
Loans to personnel	11 204	12 404	-	-
Other loans	-	11 393	-	-
Loans to policyholders	641	647	-	-
Total insurance and other receivables	124 140	132 197	41 524	863
<i>Non-current asset</i>	34 009	8 535	-	-
<i>Current asset</i>	90 131	123 662	41 524	863
<i>Interest bearing receivables</i>	105 329	81 840	-	-
<i>Provisions for impairment</i>	(135 543)	(101 967)	-	-
<i>Non-interest bearing receivables</i>	154 354	152 324	41 524	863
Total insurance and other receivables consist of:				
Insurance receivables	96 961	81 376	-	-
Premiums receivable - insurance contracts	17 170	12 256	-	-
Premiums receivable - other	18 870	14 523	-	-
Sundry insurance receivables	23 466	17 648	-	-
Reinsurance recoveries	36 814	36 302	-	-
Loans to policyholders	641	3 000	-	-
Loans to policyholders - Provision for impairment	-	(2 353)	-	-
Other receivables	27 179	50 821	41 524	863
Other sundry receivables	15 975	27 024	41 524	863
Loans to personnel	11 204	12 404	-	-
Other loans	-	11 393	-	-
Total insurance and other receivables	124 140	132 197	41 524	863
Movements in provision for impairment of premiums receivable:				
Balance at beginning of year	42 010	29 339	-	-
Recognised in profit or loss	15 434	12 671	-	-
Balance at end of year	57 444	42 010	-	-

The provision for impairment of premiums receivable relates to premiums on policies on which the premium in arrears exceeds the cash value less any outstanding policy loan balance.

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
22. INSURANCE AND OTHER RECEIVABLES (continued)				
Movements in the provision for impairment of sundry insurance receivables:				
Balance at beginning of year	59 957	45 830	-	-
Recognised in profit or loss	18 142	14 127	-	-
Balance at end of year	78 099	59 957	-	-

The provision for impairment of sundry insurance receivables mainly relates to broker clawback debtors. The debtors are impaired based on an assessment of the recoverability of each debtor, taking into consideration the activity level of each debtor.

Loans to personnel in respect of vehicle finance are provided to the sales managers of Assupol Life. Housing loans and vehicle finance are no longer granted to other staff but the balance still includes outstanding balances of loans previously granted. Loans to personnel are measured at amortised cost. Interest on housing loans is charged at 8.0% per annum. Vehicle finance loans bear interest at the official interest rate in accordance with the Income Tax Act, 58 of 1962.

The granting of loans to policyholders was terminated in September 2015. These loans were limited to, and secured by, the underlying value of the unpaid policy benefits. The loans attracted interest at prime rate +4% for the Assupol Life book and 14.5% fixed rate for the Prosperity Life book. The directors are satisfied that at initial recognition the value of the loan granted approximates the fair value of the loan, as the loan is guaranteed by the underlying value of the contract. This also reduces credit risk, as the loan is effectively secured. On subsequent recognition, the loans are measured at amortised cost using the effective interest method.

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
23. CASH AND CASH EQUIVALENTS				
Bank balances	424 812	346 694	12 457	37 398
Cash on hand	-	4	-	-
Balance at end of year (<i>Current asset</i>)	424 812	346 698	12 457	37 398

The effective interest rate on all short-term bank accounts during the year was 5.74% (2018: 5.43%) for the Group. All cash balances are available on demand.

24. SHARE CAPITAL (Consolidated and company)

Authorised share capital

5 500 000 000 ordinary shares with a par value of R0.001 each

200 000 000 'A' ordinary redeemable no par value shares

200 'A' preference no par value shares

100 000 000 'B' no par value shares

Rights, preferences and restrictions attached to classes of shares

Ordinary shares

Holders of ordinary shares have the right to participate and vote on any matter at any meeting of the shareholders. Furthermore, shareholders have a right to receive a distribution if declared by the company, and a right to a portion of the remaining total net assets in the case of liquidation.

'A' ordinary redeemable no par value shares

These shares are issued at an issue price determined by the Board of Directors. This class of shares has been created to allow the company to implement BEE structures that can be funded partially or in whole by way of a notional funding mechanism. The shares are subject to a directors' determination regarding certain matters, including the interest rate that will accrue in respect of the outstanding notional balance from time to time, as well as the notional price at which the share is issued.

Holders of Class A ordinary shares have the right to vote on any matter that the ordinary shareholders are entitled to vote. Refer note 27 for the directors' determination in respect of these shares.

These shares are only redeemable if a material breach occurs prior to the notional date or if there is an outstanding notional amount after the notional date.

24. SHARE CAPITAL (Consolidated and company) (continued)*Rights, preferences and restrictions attached to classes of shares (continued)***'A' preference no par value shares**

This class of shares was authorised without specifying associated preferences, rights, limitations or other terms. The Board of Directors determines the associated terms before shares are issued.

'B' no par value shares

'B' shares were authorised without specifying associated preferences, rights, limitations or other terms. The Board of Directors determines the associated terms before shares are issued subject to the prior written approval of the main shareholders. 'B' shares can be designated upon issue as 'B1' and so forth.

The company has submitted an application to the Prudential Authority of South Africa for the issue of 'B2' no par value shares. The shares were not issued at year-end as the company is still waiting for authorisation from the Prudential Authority. Also refer note 26.

Issued share capital

	Number of shares '000	Share capital R'000	Share premium R'000	Total R'000
Ordinary shares				
Balance at beginning of year	411 155	30 367	542 598	572 965
Repurchase and cancellation of ordinary shares	(362)	-	-	-
Adjustment of redemption of preference shares	-	-	888	888
Balance at 30 June 2018	410 793	30 367	543 486	573 853
Adjustment of redemption of preference shares	-	-	95	95
Balance at 30 June 2019	410 793	30 367	543 581	573 948
'B' no par value shares				
Balance at 30 June 2018	4 820	28 843	-	28 843
Balance at 30 June 2019	4 820	28 843	-	28 843
'B1' no par value shares				
Issued during the year	6 000	36 742	-	36 742
Balance at 30 June 2019	6 000	36 742	-	36 742

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
25. TREASURY SHARES (other than share-based payments)				
Balance at beginning of year	(2 505)	(10 329)	-	-
Shares acquired by Assupol Investment Holdings	-	(198)	-	-
Shares sold by Assupol Investment Holdings	-	8 022	-	-
Balance at end of year	(2 505)	(2 505)	-	-

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
26. SHARE-BASED PAYMENTS				
A. Treasury shares ⁽¹⁾				
<i>Share incentive scheme</i>	(16)	(16)	(16)	(16)
Balance at beginning of year	(16)	(24)	(16)	(24)
Share incentive options exercised	-	8	-	8
<i>Deferred bonus</i>	(65 585)	(65 585)	(65 585)	(65 585)
Balance at beginning of year	(65 585)	(28 843)	(65 585)	(28 843)
'B' shares issued during the year	-	(36 742)	-	(36 742)
Balance at end of year - Unvested shares	(65 601)	(65 601)	(65 601)	(65 601)
B. Employee benefits reserve ⁽²⁾				
<i>Share incentive scheme</i>	31 227	31 168	31 227	31 168
Balance at beginning of year	31 168	30 976	31 168	30 976
Cost of share incentive scheme	59	200	59	200
Options exercised	-	(8)	-	(8)
<i>Deferred bonus</i>	108 005	72 571	108 005	72 571
Balance at beginning of year	72 571	39 294	72 571	39 294
Cost of deferred bonus scheme	35 434	33 277	35 434	33 277
<i>Other share incentives</i>	65 135	63 746	65 135	63 746
Balance at beginning of year	63 746	4 234	63 746	4 234
Cost of share incentives	1 389	1 845	1 389	1 845
Transfer from employee benefit liability (note 31)	-	57 667	-	57 667
Balance at end of year - Employee benefits reserve	204 367	167 485	204 367	167 485

(1) The treasury shares represent the unvested ordinary shares in terms of share-based payments as described below. These shares are held on behalf of the employees until the restrictions are lifted.

(2) The employee benefits reserve consists of the cumulative share-based payment expenses of any unvested shares and share options that are granted to staff of the Assupol Group.

26. SHARE-BASED PAYMENTS (continued)

Details of the share-based transactions in the company are provided below:

i. Share incentive scheme (Equity-settled)

Qualifying employees were given an option to subscribe to ordinary shares that were allotted to the Assupol Share Incentive Trust. The share options were allocated based on a court-approved formula determined during demutualisation. In terms of the trust deed the right to receive dividends and other distributions from the company will be suspended as long as such shares remain shares of the Assupol Share Incentive Trust.

	Number of shares issued '000	Number of options allocated '000
Options outstanding at 30 June 2017	11 435	10 749
Options exercised	(8 159)	(8 480)
Shares transferred as deferred bonus shares	(745)	-
Options outstanding at 30 June 2018	2 531	2 269
Options exercised	(50)	(50)
Options outstanding at 30 June 2019	2 481	2 219

Information on options granted

Type of arrangement Share incentive scheme
Vesting conditions Vesting in 3 tranches over 3, 4 and 5 years, should the employee not resign or be dismissed

The options were granted at different dates, namely:

Grant date	Contractual life	Number of shares issued '000	Options allocated '000	Fair value of options granted	Options exercised '000	Remaining options '000
31 October 2011	10 years	8 243	8 243	R1.88	8 131	112
14 February 2014	10 years	n/a	1 800	R2.97	1 000	800

Fair value of options granted

In terms of the demutualisation, an independent valuator was required to determine the fair market value of the shares to be issued to the Assupol Share Incentive Trust. The primary valuation methodology used was the 'Embedded Value' methodology and adjustments for risk factors specific to the Group were made.

The options that have vested and that can be exercised are calculated in terms of the formula in the Share Incentive Scheme Trust Deed. The taxable value of the shares transferred to the shareholders is equal to the 90-day volume-weighted average price (VWAP) of the shares trades on the exchange.

26. SHARE-BASED PAYMENTS (continued)**ii. Deferred bonus scheme (Equity-settled)**

The executive directors and senior management participate in a bonus structure that consists of a cash and deferred component. The bonus is determined by the Remuneration Committee in terms of the agreed bonus structure. The deferred component is issued in ordinary shares ('bonus shares') in the company at the date when the bonus is determined and awarded to the employee. The right to trade the bonus shares is restricted for a period of 3 years.

Arrangement in respect of the allocation of the 2015 financial year

The economic benefits of the bonus shares issued, including the receipt of dividends, accrued to the beneficiaries. The proceeds of any dividends are paid to the shareholders who in turn are required to acquire additional shares ('dividend shares') from the proceeds. The right to trade in the dividend shares is restricted for the same period as the related bonus shares. The deferred bonus of the 2015 financial year vested during the financial year.

Arrangement in respect of the 2016 and subsequent financial years

'B' shares are issued as bonus shares and the economic benefits of these shares, including the receipt of dividends, are restricted. A new block of shares is issued for a specific financial year, e.g. 'B' shares in 2016 and 'B1' shares in 2017. These bonus shares will convert to ordinary shares after the restricted period. The affected employees will receive a cash bonus from their employer at the end of the restricted period where the value of the bonus will equal the total value of dividends declared on ordinary shares during the restricted period.

In accordance with the accounting policy (refer notes 2.17 and 2.20) the cost of the deferred component is recognised over the period of restriction.

Analysis of movement in deferred bonus component

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Balance at beginning of year	(83 843)	(72 054)	-	-
Allocation for financial year	(22 228)	(41 048)	-	-
Adjustment to prior year allocation	-	(4 018)	-	-
Recognised in profit or loss	35 434	33 277	-	-
Balance at end of year	(70 637)	(83 843)	-	-

Information on share allocations granted

The allocations were granted annually when the annual financial statements of the preceding financial year are approved by the Board.

Grant date	Value of deferred bonus R'000	Number of shares allocated '000	Type of 'B' share issued	'Dividend shares' allocated '000	Recognised in profit or loss	
					Total to date '000	Future recognition '000
22 September 2015	41 241	5 366	-	1 401	41 241	-
27 September 2016	28 843	4 820	B	-	26 439	2 404
15 September 2017	36 526	6 000	B1	-	21 307	15 219
14 September 2018 ⁽¹⁾	41 048	4 324	B2	-	10 262	30 786
20 September 2019	22 228	2 256	B3	-	-	22 228
Balance at end of year						70 637

(1) The company has submitted an application to the Prudential Authority of South Africa for the issue of 'B2' no par value shares. The shares were not issued at year-end as the company is still waiting for authorisation from the Prudential Authority. The cost has been recognised during the financial year to initiate the scheme as no adverse response is expected from the Prudential Authority.

Fair value of share allocations granted

At date of allocation the fair value of the shares was determined as the 30-day volume-weighted average price (VWAP) of the share trades on the exchange.

26. SHARE-BASED PAYMENTS (continued)**iii. Other share incentives (Equity-settled)**

The company issued shares to prescribed officers in terms of their employment- and restraint of trade agreements. The officers are not entitled to pledge, cede or dispose of these shares unless they have become unrestricted. The officers became entitled to all the economic benefits and rights, including dividends, at the date of issue, with the exception of the shares issued on 1 January 2019. Should their agreements terminate prior to the expiry their employment agreements, various terms and conditions will apply to the officers' entitlement on unrestricted and restricted shares at that date.

The conditions attached to the shares issued on 1 January 2019 are the same as the B-shares issued under the deferred bonus scheme as described in note 26 ii.

Information on share allocations granted

The share allocations were granted when the employment agreements of the specific prescribed officers were concluded.

Grant date	Vesting conditions	Contractual life	Number of shares '000	Fair value granted R'000
September 2015	25% of the shares vest annually from 1 September 2017	5 years	1 000	6 901
January 2017	33% of the shares vest annually from 1 January 2020	5 years	260	1 341
January 2019	100% of the shares vest on 1 January 2022	3 years	90	1 000

Fair value of share allocations granted

At date of allocation the fair value of the shares was determined as the 30-day volume-weighted average price (VWAP) of the share trades on the exchange.

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
27. BLACK ECONOMIC EMPOWERMENT RESERVE				
Balance at beginning and end of year	14 300	14 300	14 300	14 300

On 15 October 2012 the company concluded a Broad-Based Black Economic Empowerment transaction with WDB Investment Holdings Proprietary Limited ('WDB'), the investment arm of the WDB Group. The transaction resulted in WDB acquiring a 10% shareholding in Assupol Holdings at that date.

The agreement determined that 12 629 424 'A1' ordinary shares be issued at R2.35 per share with no notional amount and 31 573 561 'A2' ordinary shares be issued at R0.01 each with a notional amount of R3.17 per share.

In terms of the agreement the commitment date of the 'A1' ordinary shares was on 17 October 2017 (notional date) where after the shares rank *pari passu* with ordinary shares in all respects.

The rights, preferences and restrictions attached to the 'A2' shares are:

Notional amount per share:	R3.17
Price per share:	R0.01
Notional rate:	80% of prime rate
Notional date:	17 October 2019
Commitment date:	17 October 2019
Transfer restrictions:	Non-transferable until the commitment date

The agreement includes a subscription option whereby WDB Investment Holdings can subscribe to new A shares with a R'nil notional amount at any time after 17 October 2017. The number of option shares shall be equal to the number of 'A2' shares held on the date of exercise. Partial exercise is permitted. The subscription price per option share shall be equal to the notional outstandings per 'A2' share on that date.

The value of the option per share was determined at R0.4536 per share. The call option was recognised during the 2013 financial year as a once-off BEE expense of R14 300 000 in the financial statements of the Group and of Assupol Life.

An 'A2' share will not be entitled to participated in any dividends declared by the company until the notional loan is settled in full.

In terms of the agreement WDB Investment Holdings undertook that there shall be no change in control or transfer / cession of the relevant shares during the restricted period. If a material breach occurs, Assupol shall have the right to redeem the number of 'A' shares (as calculated in the manner set out in the agreement) up until the commitment date of an 'A' share.

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
28. POLICYHOLDER (ASSETS) / LIABILITIES UNDER INSURANCE CONTRACTS				
Insurance contracts				
<i>Discounted liabilities</i>	(3 082 381)	(2 505 351)	-	-
Balance at beginning of year	(2 505 350)	(1 948 242)	-	-
Opening modelling adjustments	(8 467)	(108 121)	-	-
Expected interest on insurance liabilities	(183 405)	(141 647)	-	-
Expected premiums on insurance liabilities	2 553 982	2 053 434	-	-
Expected claims, expiries and lapses	(819 497)	(736 768)	-	-
Expected expenses, commission and charges	(481 888)	(400 837)	-	-
Expected profits	(491 962)	(320 684)	-	-
Additional unit linked returns (policyholders)	(4 727)	(19 396)	-	-
Experience variations	16 278	12 340	-	-
Changes in estimates (renewal business only)	(152 158)	(62 162)	-	-
New business added during the year	(1 005 187)	(833 268)	-	-
<i>Undiscounted liabilities</i>	87 941	80 370	-	-
Balance at beginning of year	80 370	77 492	-	-
Withdrawals during the year	1 453	2 343	-	-
New business added during the year	1 856	3 835	-	-
Changes in estimates (renewal business only)	4 262	(140)	-	-
Elimination of negative Bonus Stabilisation Reserve	-	-	-	-
Modelling changes	-	(3 160)	-	-
Total insurance contracts	(2 994 440)	(2 424 981)	-	-
Reinsurance contracts				
<i>Discounted liabilities</i>	(2 891)	(3 515)	-	-
Balance at beginning of year	(3 515)	(24 819)	-	-
Opening modelling adjustments	-	17 583	-	-
Expected amortisation on liabilities	1 775	3 406	-	-
Changes in estimates (renewal business only)	(8 045)	988	-	-
New business added during the year	6 894	(673)	-	-
Total reinsurance contracts	(2 891)	(3 515)	-	-
Total insurance (assets) / liabilities	(2 997 331)	(2 428 496)	-	-
Reconciliation of total insurance (assets) / liabilities:				
Balance at beginning of year	(2 428 496)	(1 895 570)	-	-
Recognised in statement of comprehensive income	(568 835)	(532 926)	-	-
Balance at end of year	(2 997 331)	(2 428 496)	-	-
<i>Non-current (asset) / liability</i>	(3 105 343)	(2 534 602)	-	-
<i>Current (asset) / liability</i>	108 012	106 106	-	-
Maturity profile - Insurance contract liabilities				
	0 to 1 year R'000	2 to 5 years R'000	> 5 years R'000	TOTAL R'000
Consolidated - 30 June 2019	108 012	133 988	(3 239 331)	(2 997 331)
Consolidated - 30 June 2018	106 106	144 398	(2 679 000)	(2 428 496)

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
29. POLICYHOLDER LIABILITIES UNDER INVESTMENT CONTRACTS				
Balance at beginning of year	2 177 393	1 817 524	-	-
Premiums received	738 400	510 666	-	-
Payments of death, surrender and other terminations	(250 757)	(261 583)	-	-
Fees deducted from account balances	(75 541)	(66 524)	-	-
Fair value adjustment to liabilities	186 445	177 310	-	-
Gross fair value adjustment to liabilities ⁽¹⁾	107 986	123 474	-	-
Interest accrued to policyholders	78 459	53 836	-	-
Balance at end of year	2 775 940	2 177 393	-	-
At fair value through profit or loss	1 565 953	1 449 596	-	-
At amortised cost	1 209 987	727 797	-	-
Balance at end of year	2 775 940	2 177 393	-	-
<i>Non-current liability</i>	2 617 006	2 058 943	-	-
<i>Current liability</i>	158 934	118 450	-	-
<i>Maturity profile - Investment contract liabilities</i>	0 to 1 year R'000	2 to 5 years R'000	> 5 years R'000	TOTAL R'000
Consolidated - 30 June 2019	158 934	1 592 780	1 024 226	2 775 940
Consolidated - 30 June 2018	118 450	1 101 727	957 216	2 177 393

(1) Due to the volume of Guaranteed-Return Single-Premium policy and Guaranteed-Income Single-Premium plan business written, it is probable that a portion of the assessed tax loss in the individual policyholder tax fund (IPF) will be utilized. Accordingly, in terms of IAS12, an additional deferred tax asset of R75.1m (June 2018: R0m) has been recognised.

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
30. OTHER LIABILITIES				
Lease liability ^{(1) (3)}	193 019	189 962	-	-
Balance at beginning of year	189 962	-	-	-
Liability raised during the year	21 851	201 598	-	-
Finance charges	14 985	14 213	-	-
Payments made	(33 779)	(25 849)	-	-
Subordinated debt ^{(2) (3)}	125 977	-	-	-
Balance at beginning of year	-	-	-	-
Liability raised during the year	125 863	-	-	-
Finance charges	1 728	-	-	-
Payments made	(1 614)	-	-	-
Total long-term financing obligations	318 996	189 962	-	-
<i>Non-current liability</i>	297 197	173 861	-	-
<i>Current liability</i>	21 799	16 101	-	-

(1) Refer note 3.4 for detail of the estimates and interest rates used in determining the value of the liability.

(2) The subordinated debt agreement with Investec Bank Limited provides Assupol Life with a drawdown facility of R250m for a 12-month period until January 2020. The debt structure complies with the requirements for Tier 3 subordinated debt as determined in the Prudential Standard FSI 2.3 that were issued by the Prudential Authority of South Africa. The debt is repayable 4 years after the drawdown date. Interest is determined per drawdown and varied at year-end between 10.03% and 10.29%. A facility fee of R862 500 was paid at the start of the contract. A commitment fee of 0.7% is charged on the undrawn amount during the 12-month period until January 2020.

(3) This note represents the net debt reconciliation.

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
31. EMPLOYEE BENEFITS				
Accrual for leave pay	14 542	14 242	-	-
Balance at beginning of year	14 242	13 032	-	-
Utilised during the year	(1 119)	(737)	-	-
Recognised in profit or loss	1 419	1 947	-	-
Provision for bonuses	76 872	65 259	-	-
Balance at beginning of year	65 259	62 817	-	-
Utilised during the year	(52 795)	(56 016)	-	-
Recognised in profit or loss	64 408	58 458	-	-
Cash bonus component				
Cash-settled share-based payment liability (note 26)	-	-	-	-
Balance at beginning of year	-	57 667	-	57 667
Transfer to employee benefit reserve ⁽¹⁾	-	(57 667)	-	(57 667)
Total employee benefits	91 414	79 501	-	-
<i>Non-current liability</i>	-	-	-	-
<i>Current liability</i>	91 414	79 501	-	-

(1) The cash-settled share-based payment liability related to a put option that terminated 10 working days after 30 June 2017. Refer note 26. The liability was extinguished and transferred to the employee benefit reserve.

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
32. DEFERRED REVENUE LIABILITY				
Balance at beginning of year	511	458	-	-
Deferred revenue relating to new business	255	182	-	-
Amortisation of deferred revenue	(110)	(129)	-	-
Balance at end of year	656	511	-	-
<i>Non-current liability</i>	480	361	-	-
<i>Current liability</i>	176	150	-	-

The deferred revenue liability is up-front fees received from investment policyholders as a prepayment for asset management and related services. These amounts are non-refundable and are released to income as the services are rendered. Approximately 27% of the liability will be recognised in the next financial year and 73% in years 2 to 5.

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
33. DEFERRED TAX ASSET / (LIABILITY)				
Deferred tax is calculated on all temporary differences under the liability method, using applicable tax rates.				
Balance at beginning of year	(839 869)	(662 687)	-	-
Movements during year attributable to:	(21 258)	(177 182)	-	-
Temporary differences				
Deferred acquisition costs	9 109	(1 953)	-	-
Other timing differences	5 645	165	-	-
Unrealised gains	6 508	(4 388)	-	-
Capital loss carried forward	(2 800)	(228)	-	-
Elimination of negative reserves	(82 522)	(170 778)	-	-
Special transfer credit	29 444	-	-	-
Adjusted IFRS phasing-in amount	(61 773)	-	-	-
Assessed loss	75 131	-	-	-
Balance at end of year	(861 127)	(839 869)	-	-
The deferred tax balance consists of the following:				
Temporary differences				
Deferred acquisition costs	(2 667)	(11 776)	-	-
Other timing differences	7 979	2 334	-	-
Unrealised gains	(11 810)	(18 318)	-	-
Capital loss carried forward	1 800	4 600	-	-
Elimination of negative reserves	(942 260)	(859 738)	-	-
Special transfer credit	29 444	-	-	-
Adjusted IFRS phasing-in amount	(61 773)	-	-	-
Assessed loss	118 160	43 029	-	-
<i>Non-current liability</i>	(861 127)	(839 869)	-	-
The offset amounts are: ⁽¹⁾				
Deferred tax assets	157 383	49 963	-	-
Deferred tax liabilities	(1 018 510)	(889 832)	-	-

(1) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred tax assets of R118.2 million (2018: R43.0 million) have been recognised by the Group. This amount is only a portion of the total assessed loss available for utilisation. The additional deferred tax asset that has been raised is in respect of tax losses which is expected to be utilised in the foreseeable future related to Assupol Life's individual policyholder tax fund (IPF) as a result of increased guaranteed single premium business. R35.4m is expected to be utilised in the next financial year. Refer note 3.3.

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
34. INSURANCE AND OTHER PAYABLES				
Accounts payable ⁽¹⁾	49 553	67 029	13 163	14 945
Sundry insurance payables	101 890	104 968	-	-
Outstanding claims and benefits payable				
On insurance contracts	146 951	116 321	-	-
On investment contracts	15 115	16 686	-	-
Premiums received in advance	14 808	13 889	-	-
Amounts due to subsidiaries	-	-	5 096	4 040
Total insurance and other payables	328 317	318 893	18 259	18 985
<i>Non-current liability</i>	-	-	-	-
<i>Current liability</i>	328 317	318 893	18 259	18 985
Insurance and other payables consist of:				
Insurance payables	278 764	251 864	-	-
Sundry insurance payables	101 890	104 968	-	-
Outstanding claims and benefits payable:				
- Insurance contracts	146 951	116 321	-	-
- Other	15 115	16 686	-	-
Premiums received in advance	14 808	13 889	-	-
Other payables	49 553	67 029	18 259	18 985
Accounts payable	49 553	67 029	13 163	14 945
Amounts due to subsidiaries ⁽²⁾	-	-	5 096	4 040
Total insurance and other payables	328 317	318 893	18 259	18 985

(1) Accounts payable include the value of the consideration payable to the seller of Top Top Business Consultants to amount of R24.4 million. R5 million was repaid during the financial year.

(2) The short term loan due to Assupol Life amounts to R5.1 million (2018: R4.0 million) and is unsecured. It is repayable on demand and bears no interest.

(3) The lease liability that was previously disclosed as a separate item in this note, is disclosed in note 30.

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
35. CURRENT TAXATION				
Balance at beginning of year	3 031	(14 269)	362	71
Transferred (from) / to statement of comprehensive income	(222 183)	(152 643)	(93)	255
Taxation paid during the year (note 37)	193 080	169 943	120	36
Total current taxation	(26 072)	3 031	389	362

The amendments to section 29A of the Income Tax Act, 58 of 1962, that became effective from 1 July 2018 includes provisions for the calculation of a "phasing-in amount" to capture the differences in the valuation basis at the time of change and allow it to be taken into account in the tax calculation over time. However, based on the current wording relating to the phasing-in amount (section 29A(15)), Assupol Life would need to do this calculation on 1 July 2017 and not 1 July 2018 (the time the changes became effective). This leads to an increase in the tax expense of approximately R24m in the current financial year on which the annual financial statements were finalised.

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
36. CASH GENERATED FROM OPERATIONS				
Reconciliation of profit before tax to cash generated from operations:				
Profit before taxation	1 150 480	1 179 154	301 836	171 342
Movement in policyholder assets / liabilities:	29 712	(173 057)	-	-
Insurance contracts (note 28)	(568 835)	(532 926)	-	-
Investment contracts (note 29)	598 547	359 869	-	-
Items disclosed separately:	(302 543)	(263 236)	(350 012)	(187 477)
Interest received (note 9)	(264 382)	(237 233)	(1 707)	(3 064)
Dividends received (note 9)	(28 741)	(16 213)	(348 305)	(184 413)
Finance charges (note 15)	16 736	14 221	-	-
Deferred acquisition cost on new business (note 19)	(26 411)	(24 193)	-	-
Fee income deferred on new business (note 32)	255	182	-	-
Non-cash items:	167 735	32 149	76 712	1 750
Interest on financial assets at amortised cost (note 9) *	66 564	64 436	-	-
Net fair value gains on financial assets (note 10)	(16 443)	(129 394)	-	-
Depreciation of property and equipment (note 14)	54 154	44 715	-	-
(Profit) / loss on sale of equipment (note 11)	(249)	575	-	-
Amortisation of intangible assets (note 19)	18 055	10 380	-	-
Impairment of intangible assets (note 19)	8 694	6 782	-	-
Impairment of investment in subsidiaries (note 14)	-	-	35 477	-
Adjustment of redemption of preference shares	187	1 750	187	1 750
Amortisation of deferred revenue liability (note 32)	(110)	(129)	-	-
Deferred tax on property held for sale	-	(2 287)	-	-
Share based payments	36 883	35 321	-	-
Deferred bonus shares to be issued (note 26)	-	-	41 048	-
Changes in working capital:	29 392	9 496	(41 387)	(4 519)
Insurance and other trade receivables (note 22)	8 056	(21 698)	(40 661)	2 010
Employee benefits (note 31)	11 913	3 652	-	-
Insurance and other payables (note 34)	9 423	27 542	(726)	(6 529)
Cash generated from operations	1 074 776	784 506	(12 851)	(18 904)

* Interest received was split out in the current year. Comparative interest was reclassified to agree with current disclosure.

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
37. TAXATION PAID				
Total current tax	(193 080)	(169 943)	(120)	(26)
Receivable / (payable) at beginning of the year	3 031	(14 269)	362	71
Recognised in profit or loss	(222 183)	(153 025)	(93)	265
Payable included in acquisition of subsidiary	-	382	-	-
Payable / (receivable) at end of the year	26 072	(3 031)	(389)	(362)
Security transfer tax	-	-	-	(10)
Recognised in profit or loss	-	-	-	(10)
Total taxation paid	(193 080)	(169 943)	(120)	(36)

38. RELATED PARTY TRANSACTIONS**A. Related parties defined**

All subsidiaries in the Assupol Group, their key management (including immediate family members as defined in IAS 24), as well as entities that have a significant influence over the Group, are deemed related parties.

B. Key management

No salaries for key management of the subsidiaries are paid by the holding company. Assupol Life pays the salaries of key management of Assupol Holdings. Key management is defined as executive and non-executive directors of any subsidiary in the Group.

The directors of the companies in the Group declared that they did not have any material interest in any contract signed by the Group during the year.

Information pertaining to the remuneration, directors' fees and securities held by directors and prescribed officers are disclosed below.

	CONSOLIDATED	
	2019	2018
	R'000	R'000
i. Loans to key management (included in note 22)		
Balance at end of year	7 558	8 854
Balance at beginning of year	8 854	-
Loans advanced during the year	-	8 333
Loan repayments received	(2 104)	-
Interest charged	808	521

Assupol Life granted a loan to an executive director for the purchase of shares in Assupol Holdings. This was approved as required by the Companies Act, 71 of 2008, and the Long Term Insurance Act, 52 of 1998. The loan bears interest at the official prime rate of interest levied by the bankers of Assupol Life and is repayable over 5 years. The Group has sufficient security over this loan.

	CONSOLIDATED	
	2019	2018
	R'000	R'000
ii. Aggregate details of contracts between the Group and key management		
<u>Insurance contracts</u>		
Aggregate insured cover	3 806	3 842
Premiums received	112	89
Claims paid	-	(18)
Surrender value	148	55
<u>Investment contracts</u>		
Fund value at beginning of year	655	665
Premiums received	54	51
Resignations	-	(85)
Investment returns credited net of charges	23	24
Commission and other transaction fees	(11)	-
Surrender value	721	655

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2019

38. RELATED PARTY TRANSACTIONS (continued)

A list of the directors and the prescribed officers is disclosed in notes 6 and 7 of the Directors' report. All directors and prescribed officers declared that they did not have any material interest in any contract signed by the Assupol Group during the year.

iii. Executive directors' and prescribed officers' remuneration

The Group provides cash as well as non-cash benefits to executive directors, prescribed officers and employees. Bonuses for executive directors, the prescribed officers and senior management are awarded based on an agreed bonus structure as determined by the Group Remuneration Committee and consist of a cash and deferred component. The executive directors and prescribed officers also participate in the Group's share incentive scheme. Furthermore shares linked to a restraint of trade agreement have been issued to the executive directors and prescribed officers. Refer note 26 to the financial statements for more detail on the restrictions and vesting periods that apply to the share schemes.

R'000	CJ van Dyk	D de Klerk	MB Mokwena- Halala	SL Ndwalaza	J Dippenaar	EZ Mngoma	MP Salmon	EN Nelwamondo ⁽¹⁾	Total
30 June 2019									
Fixed									
Salary	3 807	2 753	3 001	2 677	2 507	2 325	2 507	1 248	20 825
Other benefits	22	10	22	10	10	9	-	-	83
Pension fund contributions	432	317	343	308	288	263	288	145	2 384
Variable									
Cash bonus	3 400	1 900	2 700	1 800	1 700	1 600	1 700	800	15 600
Restricted incentives ⁽²⁾									
Deferred bonus	2 668	3 627	4 470	2 356	2 285	1 573	996	-	17 975
Share incentive scheme	-	-	-	-	-	26	-	-	26
Other share incentives	-	-	-	-	872	-	350	167	1 389
Total	10 329	8 607	10 536	7 151	7 662	5 796	5 841	2 360	58 282
Accrued and settled	7 661	4 980	6 066	4 795	4 505	4 197	4 495	2 193	38 892
Restricted incentives ⁽²⁾	2 668	3 627	4 470	2 356	3 157	1 599	1 346	167	19 390

(1) Ms EN Nelwamondo was appointed as Group Chief Information Officer with effect from 1 January 2019.

(2) Restricted incentives are allocations of shares under the conditions of the deferred bonus structure, the share incentive scheme, as well as the other share agreements as described in note 26). The amounts disclosed in the table above are the value of the expense recognised in profit or loss and do not represent an amount paid to the individual.

38. RELATED PARTY TRANSACTIONS (continued)

iii. Executive directors' and prescribed officers' remuneration (continued)

R'000	CJ van Dyk	D de Klerk	MB Mokwena- Halala	SL Ndwalaza	J Dippenaar	EZ Mngoma	MP Salmon	EN Nelwamondo ⁽¹⁾	Total
30 June 2018									
Fixed									
Salary	3 306	2 598	2 707	2 526	2 366	1 961	2 366	-	17 830
Other benefits	16	10	16	10	10	9	-	-	71
Pension fund contributions	378	297	310	289	271	228	271	-	2 044
Variable									
Cash bonus	3 200	1 800	2 500	1 700	1 600	1 500	1 600	-	13 900
Restricted incentives ⁽²⁾									
Deferred bonus	1 302	3 615	4 484	2 427	1 485	1 094	300	-	14 707
Share incentive scheme	-	-	-	-	-	73	-	-	73
Other share incentives	-	-	-	-	1 495	-	350	-	1 845
Total	8 202	8 320	10 017	6 952	7 227	4 865	4 887	-	50 470
Accrued and settled	6 900	4 705	5 533	4 525	4 247	3 698	4 237	-	33 845
Restricted incentives ⁽²⁾	1 302	3 615	4 484	2 427	2 980	1 167	650	-	16 625

(1) Ms EN Nelwamondo was appointed as Group Chief Information Officer with effect from 1 January 2019.

(2) Restricted incentives are allocations of shares under the conditions of the deferred bonus structure, the share incentive scheme, as well as the other share agreements as described in note 26). The amounts disclosed in the table above are the value of the expense recognised in profit or loss and do not represent an amount paid to the individual.

38. RELATED PARTY TRANSACTIONS (continued)

iv. Summary of restricted incentives

Units ('000)	Balance restricted at beginning of year	Allocated during the year	Unrestricted during the year	Balance restricted at end of year
Deferred bonus structure	7 917	2 350	(2 337)	7 930
CJ van Dyk	851	400	-	1 251
D de Klerk	1 892	411	(765)	1 538
MB Mokwena-Halala	2 354	474	(920)	1 908
SL Ndwalaza	1 206	269	(468)	1 007
J Dippenaar	839	253	-	1 092
M Salmon	196	253	-	449
EZ Mngoma	579	290	(184)	685
Other share incentives	1 010	90	(250)	850
J Dippenaar	750	-	(250)	500
MP Salmon	260	-	-	260
EN Nelwamondo	-	90	-	90

v. Non-executive directors' fees

R'000	Board fees	Committee fees	Total fees for the year
30 June 2019	5 840	3 310	9 150
RJ Khoza (Chairman)	611	26	637
AS Birrell	1 376	511	1 887
EDJ Ashkar	608	771	1 378
GR Burger	140	25	165
SIM Braudo	140	91	231
NE Gubb	556	298	854
IO Greenstreet	487	388	875
R Kisten	165	55	219
BB Moroole	375	314	689
R Mothapo	551	680	1 230
KC Radebe	318	52	370
Z Saban	514	101	615
30 June 2018	5 044	2 991	8 035
AS Birrell (Chairman)	1 711	636	2 347
EDJ Ashkar	481	703	1 184
NE Gubb	484	195	679
IO Greenstreet	421	374	795
R Kisten	368	234	602
R Mothapo	499	396	896
T Muranda	180	281	461
KC Radebe	481	97	577
Z Saban	421	74	495

38. RELATED PARTY TRANSACTIONS (continued)**vi. Securities held by directors ⁽¹⁾**

Units ('000)	Direct beneficial	Indirect beneficial	Total
D de Klerk	5 246	591	5 837
J Dippenaar	538	113	650
MB Mokwena-Halala	2 255	1	2 256
SL Ndwalaza	7 618	-	7 618
EZ Mngoma	235	-	235
MP Salmon	1 814	240	2 055
CJ van Dyk	1 594	-	1 594

(1) The units exclude any securities that are linked to restricted incentives.

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
C. Balances with related parties				
Total amounts due to subsidiaries as detailed in note 34				
<i>Operational account with Assupol Life</i>	-	-	(5 096)	(4 040)
Balance at beginning of year	-	-	(4 040)	(16 230)
Repayments	-	-	(12 500)	(31 184)
Transactions funded during the year	-	-	11 444	43 374
Shareholding in Assupol Holdings (note 25)				
Assupol Investment Holdings	2 505	2 505	-	-

39. COMMITMENTS*Lease commitments*

The Group leases property and equipment under non-cancellable lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure is recognised in profit or loss (refer note 14).

The future minimum lease payments under non-cancellable leases are set out in the table below.

	CONSOLIDATED		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
<i>Property</i>				
• Due in 1 year or less	21 124	16 101	-	-
• Due between 1 and 5 years	114 235	93 609	-	-
• Due after 5 years	54 910	80 252	-	-
Total	190 269	189 962	-	-
<i>Equipment</i>				
• Due in 1 year or less	561	-	-	-
• Due between 1 and 5 years	2 189	-	-	-
Total	2 750	-	-	-

40. INTERESTS IN SUBSIDIARIES

Subsidiary name	Issued share capital R'000	Effective holdings		Interest of holding company	
		2019 %	2018 %	2019 R'000	2018 R'000
<i>Subsidiaries of Assupol Holdings</i>					
Assupol Life ⁽¹⁾	490 019	100%	100%	733 459	696 577
Assupol Investment Holdings ⁽²⁾	70 431	100%	100%	37 067	72 544
<i>Subsidiaries of Assupol Investment Holdings</i>					
Cornerstone Brokers Corporate ⁽³⁾	9 273	100%	100%	2 337	40 805
Siebador Sewentien ⁽⁴⁾	1	100%	100%	124	4 525
Top Top Business Consultants ⁽⁵⁾	1 000	100%	100%	34 249	34 249
<i>Other consolidated entities</i>					
Assupol Share Incentive Trust ⁽⁶⁾	Trust	-	-	-	-

The subsidiaries are unlisted and incorporated in South Africa. Transactions between subsidiaries are listed in note 38 to the annual financial statements.

Nature of business

(1) A registered long term insurer in terms of the Insurance Act, 18 of 2017.

(2) An investment holding company that holds the investments in all of the non-life subsidiaries of the Group.

(3) The company's operations were sold to Assupol Life on 1 July 2018. It is management's intention to deregister the company in the near future.

(4) The property of Siebador Sewentien was sold during the previous financial year. It is management's intention to deregister the company in the near future.

(5) Financial services provider in terms of the Financial Advisory and Intermediary Services Act, 37 of 2002. The company's operations (to sell insurance products to the general public and to provide administration services to other intermediaries) was sold to Assupol Life on 1 March 2019. It is management's intention to deregister the company in the near future.

(6) Trust - refer note 26 (i.)

41. EVENTS AFTER REPORTING PERIOD**Dividend declaration**

On 27 September 2019 the Board of Directors declared an ordinary dividend of 60 cents per qualifying ordinary share and a special dividend of 29 cents per qualifying ordinary share for the year ended 30 June 2019. The dividend is payable on 14 October 2019 to qualifying shareholders registered on 11 October 2019.

Furthermore, the Board declared a trickle dividend of 13.66 cents in respect of the 'A2' ordinary redeemable shares. The dividend represents the excess of the ordinary dividend over the outstanding balance of the notional loan (note 27).

The qualifying shares at the date that these financial statements were approved and that the various dividends apply to, included the following:

cents per share	Ordinary dividend	Special dividend	Trickle dividend
Listed ordinary shares, excluding shares held by the Share Incentive Trust	60	29	-
A1 ordinary shares	60	29	-
A2 ordinary redeemable shares	-	29	14
'B' no par value shares *	60	29	-

* This category includes only those 'B' shares that qualify to be converted to ordinary shares after the restricted period ends on 27 September 2019 and that are unrestricted at record date (note 26).

The dividends have been declared from retained earnings. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

42. CHANGE IN ACCOUNTING POLICY

This note explains the impact of the adoption of IFRS 9 Financial Instruments by the company.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 30 June 2018. Furthermore, there was no change in the measurement and classification of the financial instruments.

In accordance with the transitional provisions in IFRS 9 comparative figures have not been restated. The total impact on the company's retained earnings as at 1 June 2018 is negligible.

As mentioned in note 2.1.2 the Group elected to defer the implementation of this standard to coincide with the implementation of IFRS 17.